LEGISLATIVE FISCAL REPORT 1997 BIENNIUM

VOL. I

OFFICE OF THE LEGISLATIVE FISCAL ANALYST

HELENA, MONTANA · JUNE 1995

THE GREAT SEAL OF THE STATE OF MONTANA

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LEGISLATIVE FISCAL REPORT
1997 Biennium
Volume I

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Submitted by

The Office of the Legislative Fiscal Analyst

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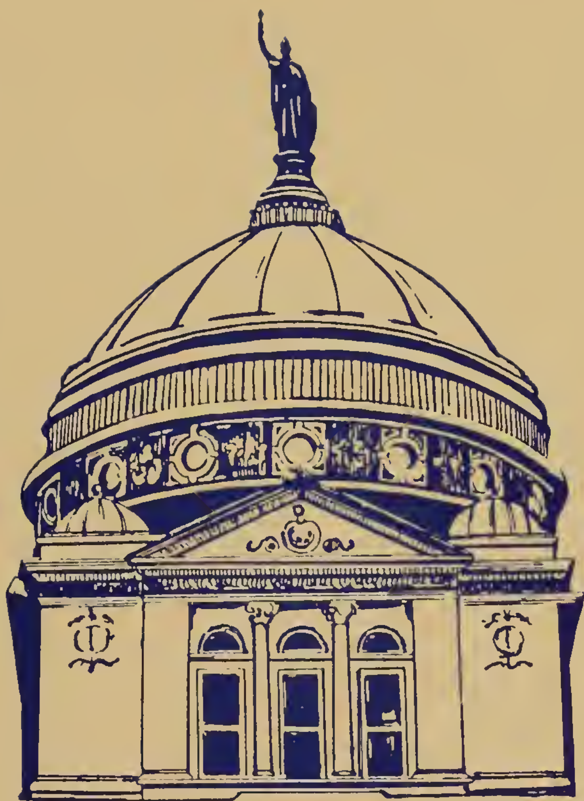


REVENUE ESTIMATES

REVENUE SECTION INTRODUCTION

Introduction

The budget for the state of Montana for the 1997 biennium depends upon the current and future economic condition of the state, nation, and world. Rapidly changing technology, enhanced global economic interdependence, major changes in regional and international trade agreements such as NAFTA and GATT, and congressional response to our federal deficit, all have the ability to impact the state's economy more than ever before. Economic events occurring locally, as well as globally, affect tax receipts and influence the costs of goods and services purchased by state government. Because of this potential impact, economic assumptions are clearly a vital component in formulating the biennial budget.

In formulating economic assumptions, the key economic variables targeted as most affecting state government receipts and disbursements are: Montana total personal income, Montana population and employment levels, inflation rates, energy prices, and interest rates. In the following section entitled "Economic Overview", detailed information is provided on each of these key variables, including historical data and current trends on a statewide and national basis.

Following the economic overview is a list of "economic assumptions" adopted by the Revenue Oversight Committee (ROC) on November 30, 1994. These assumptions were used in generating the general fund and school equalization account (SEA) revenue estimates. The assumptions and resulting revenue estimates were presented in HJR 9 to the 1995 legislature in accordance with section 5-18-107(5)(b), MCA. This statute specifies that ROC's estimate, as introduced in the legislature: constitutes the legislature's current revenue estimate until amended or until final adoption of the estimate by both houses. It is intended that the legislature's estimate and the assumptions underlying the estimates will be used by all agencies with responsibilities for estimating revenues or costs, including the preparation of fiscal notes.

The 1995 legislature adopted HJR 9. The economic assumptions contained in HJR 9 are reflected in the more detailed general fund information that follows the discussion of the key economic variables. The general fund revenue section begins with an overview of the major components contributing to the general fund and the amount of revenue projected as a result of the assumptions adopted by legislature. Historical and statistical information is also presented on key revenue sources.

Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedicated revenue and statutory appropriations, changed the method of accounting for revenue formerly deposited into the school equalization account (SEA). All sources of revenue deposited in the SEA prior to fiscal 1996 will be deposited in the general fund beginning in fiscal 1996.

The 1995 legislature appropriated funds to the Office of Budget and Program Planning (OBPP) to continue the contract agreement with Wharton Econometrics, the firm selected to provide short and long-term econometric forecasts to OBPP and the Legislative Fiscal Analyst (LFA).

ECONOMIC OVERVIEW

Personal Income

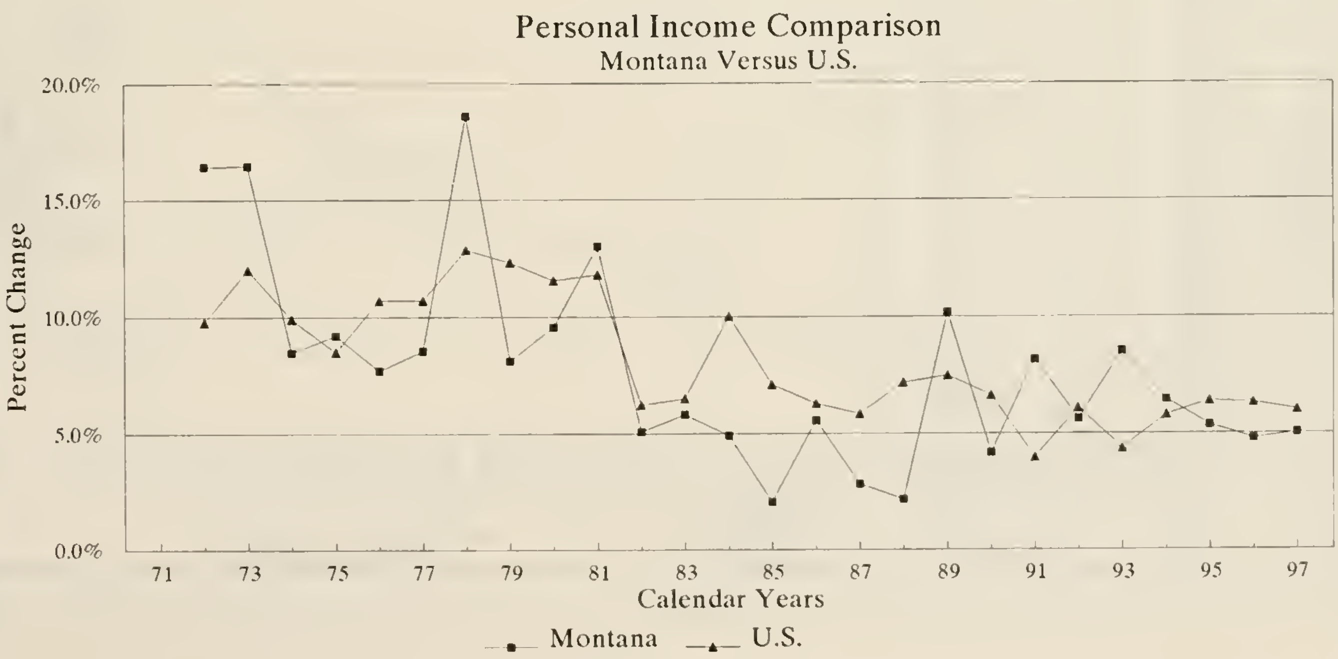
Montana's total personal income is defined as labor income, transfer payments, dividends, interest, and rents, less personal contributions for social security. This variable is critical in budget development because of its impact on state government tax receipts and disbursements. Total personal income not only limits the growth in government disbursements, it also reflects the ability of the people of Montana to purchase food, clothing, automobiles, and other items. Collections of personal income tax, corporate income tax, and many other taxes, such as liquor and insurance, are affected by personal income levels.

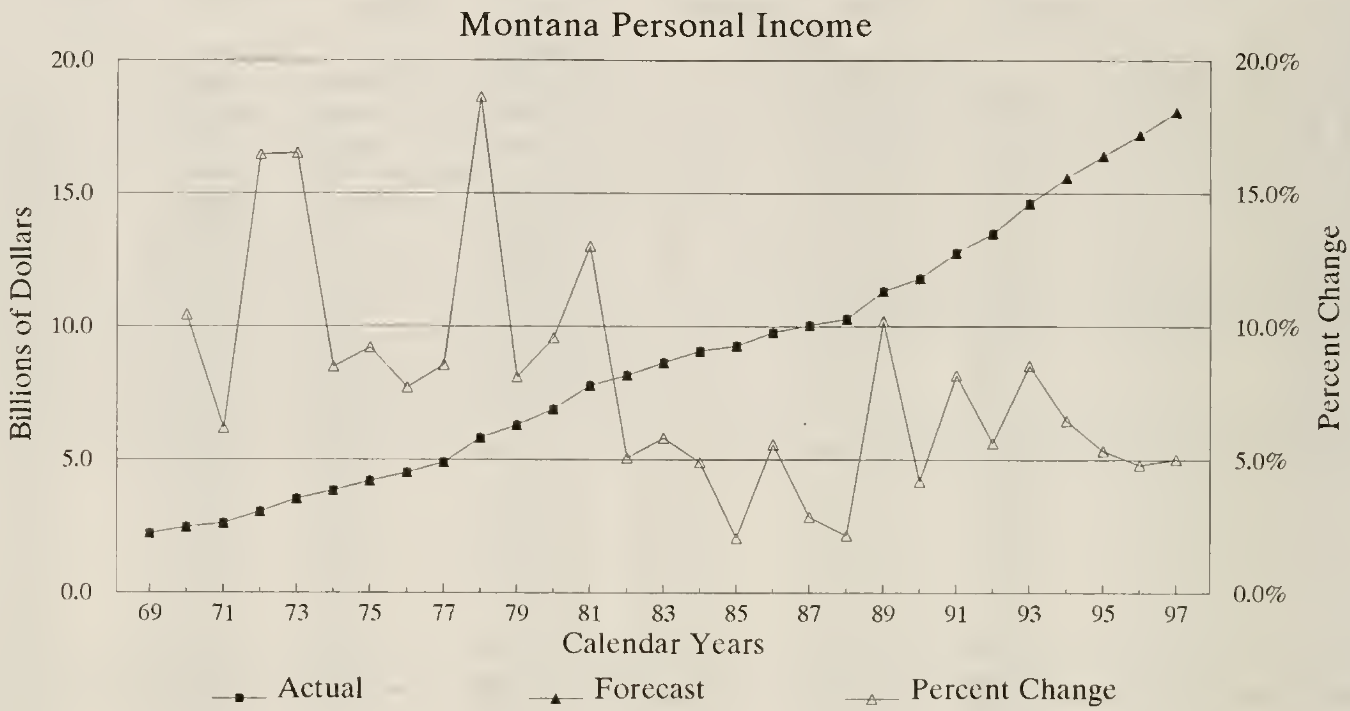
From 1971 to 1993, total personal income increased 460 percent in Montana versus 504 percent nationally. The state's per capita income for 1993 was $17,422 compared with the national figure of $20,781. As shown in the table that follows, Montana's growth in total personal income is expected to exceed that for the U.S. in 1994, and then lag national income growth in 1995, 1996, and 1997. This trend is premised on moderate economic growth and the continued shift in employment from basic industries to the service sectors.

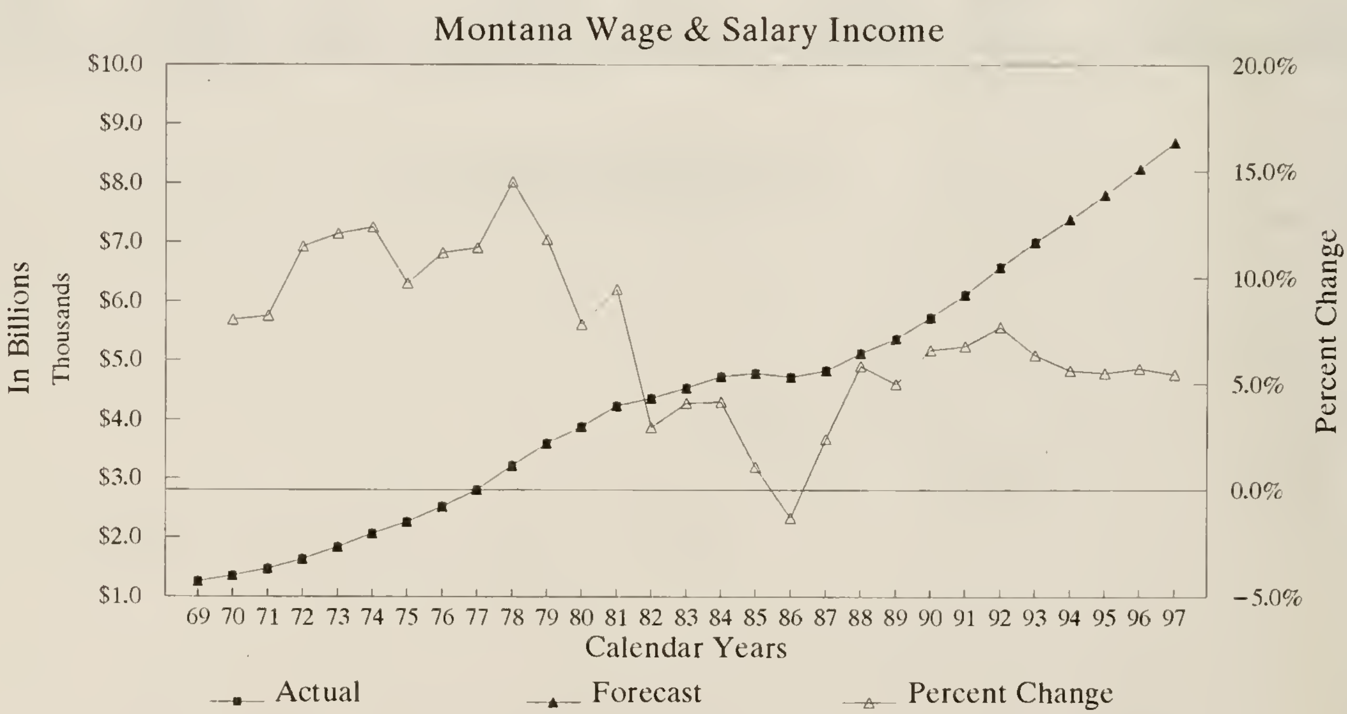
The following tables summarize personal income statistics for Montana and the United States.

ECONOMIC OVERVIEW

Year		Montana Personal Income	Percent Change	Montana Disposable Income	Percent Change	Montana Wage&Salary Income	Percent Change	US Personal Income	Percent Change
A	71	$2,610.330		$2,328.553		$1,471.340		$888.002	
A	72	3,039.199	16.43%	2,677.528	14.99%	1,640.168	11.47%	974.938	9.79%
A	73	3,539.918	16.48%	3,110.027	16.15%	1,837.878	12.05%	1,092.217	12.03%
A	74	3,839.674	8.47%	3,360.985	8.07%	2,065.305	12.37%	1,200.575	9.92%
A	75	4,193.426	9.21%	3,703.819	10.20%	2,266.340	9.73%	1,302.532	8.49%
A	76	4,516.117	7.70%	3,950.628	6.66%	2,519.252	11.16%	1,442.221	10.72%
A	77	4,902.070	8.55%	4,258.119	7.78%	2,806.663	11.41%	1,596.944	10.73%
A	78	5,813.371	18.59%	5,099.059	19.75%	3,213.384	14.49%	1,802.663	12.88%
A	79	6,284.054	8.10%	5,428.873	6.47%	3,591.919	11.78%	2,024.812	12.32%
A	80	6,885.292	9.57%	5,967.758	9.93%	3,871.498	7.78%	2,259.006	11.57%
A	81	7,780.270	13.00%	6,762.316	13.31%	4,236.416	9.43%	2,526.009	11.82%
A	82	8,174.406	5.07%	7,176.297	6.12%	4,361.784	2.96%	2,683.456	6.23%
A	83	8,649.297	5.81%	7,495.915	4.45%	4,540.759	4.10%	2,857.710	6.49%
A	84	9,073.588	4.91%	7,966.614	6.28%	4,730.201	4.17%	3,144.363	10.03%
A	85	9,260.551	2.06%	8,233.850	3.35%	4,782.345	1.10%	3,368.069	7.11%
A	86	9,775.171	5.56%	8,741.641	6.17%	4,719.019	−1.32%	3,579.783	6.29%
A	87	10,052.676	2.84%	8,831.093	1.02%	4,832.388	2.40%	3,789.297	5.85%
A	88	10,269.469	2.16%	9,125.624	3.34%	5,114.548	5.84%	4,061.806	7.19%
A	89	11,316.576	10.20%	9,858.379	8.03%	5,369.720	4.99%	4,366.135	7.49%
A	90	11,789.751	4.18%	10,263.206	4.11%	5,722.813	6.58%	4,655.420	6.63%
A	91	12,753.092	8.17%	11,197.806	9.11%	6,110.557	6.78%	4,840.768	3.98%
A	92	13,469.485	5.62%	11,804.305	5.42%	6,580.089	7.68%	5,135.062	6.08%
A	93	14,616.978	8.52%	12,783.837	8.30%	6,997.368	6.34%	5,359.589	4.37%
F	94	15,560.485	6.45%	13,638.308	6.68%	7,391.453	5.63%	5,670.445	5.80%
F	95	16,391.222	5.34%	14,366.141	5.34%	7,799.040	5.51%	6,033.353	6.40%
F	96	17,175.693	4.79%	15,053.426	4.78%	8,244.573	5.71%	6,413.454	6.30%
F	97	18,038.229	5.02%	15,809.091	5.02%	8,694.209	5.45%	6,798.261	6.00%




Montana Personal Income
Billions of Dollars
20.0
15.0
10.0
5.0
0.0
Percent Change
20.0%
15.0%
10.0%
5.0%
0.0%
69 71 73 75 77 79 81 83 85 87 89 91 93 95 97
Calendar Years
Actual
Forecast
Percent Change


Montana Wage & Salary Income
In Billions
Thousands
$10.0
$9.0
$8.0
$7.0
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
Percent Change
20.0%
15.0%
10.0%
5.0%
0.0%
−5.0%
69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97
Calendar Years
Actual
Forecast
Percent Change

ECONOMIC OVERVIEW

Employment

Total state employment measures the ability of the state's economic base to provide jobs for its residents.

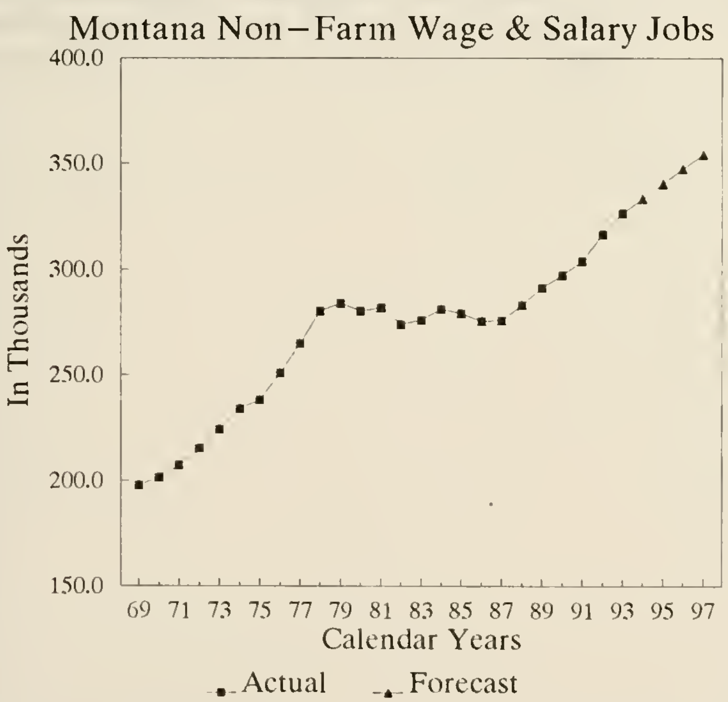
When forecasting state revenues, non-farm wage and salary employment is used as a proxy for employment levels. Even though this statistic does not include all employment, it does provide a consistent indicator of the relevant labor market.

Employment levels in the state affect wage and salary income and are also indicative of the state's business activity. The relationship among wage and salary income, consumer spending, and, ultimately, corporate profits explains why personal income, corporate income, and sumptuary taxes are affected by changes in this variable.

From 1973 to 1993, Montana's non-farm wage and salary employment grew by about 45 percent or 101,900 jobs. Almost all of this increase was in the wholesale/retail trade and service sectors. Traditionally, these jobs have been at the lower end of the pay scale. In the 1980s, the manufacturing, mining, construction, and transportation sectors experienced decreased employment. These jobs tended to have higher than average salaries.

The table below provides historical and forecast values for non-farm wage and salary employment. Employment is expected to increase approximately 2 percent per year in 1994 through 1997. Most of the growth is expected in the services sector.

Since 1973, Montana's average annual growth rate in employment has been 1.9 percent. The majority of this growth occurred in the 1970s. After stagnating during the 1980s, job growth in the 1990s is expected to increase once again.



	C Y	Total Non-Farm Jobs	Percent Change	Total Service Jobs	Percent Service
	73	224.500		96.700	43.07%
	74	234.000	4.23%	101.200	43.25%
	75	238.200	1.79%	103.400	43.41%
	76	251.000	5.37%	111.400	44.38%
	77	265.000	5.58%	116.400	43.92%
	78	280.400	5.81%	124.800	44.51%
	79	283.900	1.25%	127.700	44.98%
	80	280.400	−1.23%	127.400	45.44%
	81	281.800	0.50%	129.000	45.78%
	82	273.900	−2.80%	128.200	46.81%
	83	276.000	0.77%	131.400	47.61%
	84	281.200	1.88%	135.500	48.19%
	85	279.200	−0.71%	135.200	48.42%
	86	275.500	−1.33%	134.700	48.89%
	87	275.900	0.15%	137.700	49.91%
	88	283.000	2.57%	142.700	50.42%
	89	291.100	2.86%	149.300	51.29%
	90	297.300	2.13%	153.400	51.60%
	91	303.900	2.22%	158.900	52.29%
	92	316.600	4.18%	166.900	52.72%
	93	326.400	3.10%	174.700	53.52%
Forecast	94	333.400	2.14%	180.700	54.20%
Forecast	95	340.400	2.10%	186.100	54.67%
Forecast	96	347.600	2.12%	191.800	55.18%
Forecast	97	354.300	1.93%	197.200	55.66%

ECONOMIC OVERVIEW

Population and Employment

Changes in state population have an affect on state government receipts and disbursements. During times of strong economic growth, additional job opportunities are produced to accommodate a growing population. Higher employment translates to greater state revenues to support growing education and human service needs. As economic growth moderates, unemployment may increase, thereby impacting revenues available for state and local government services.

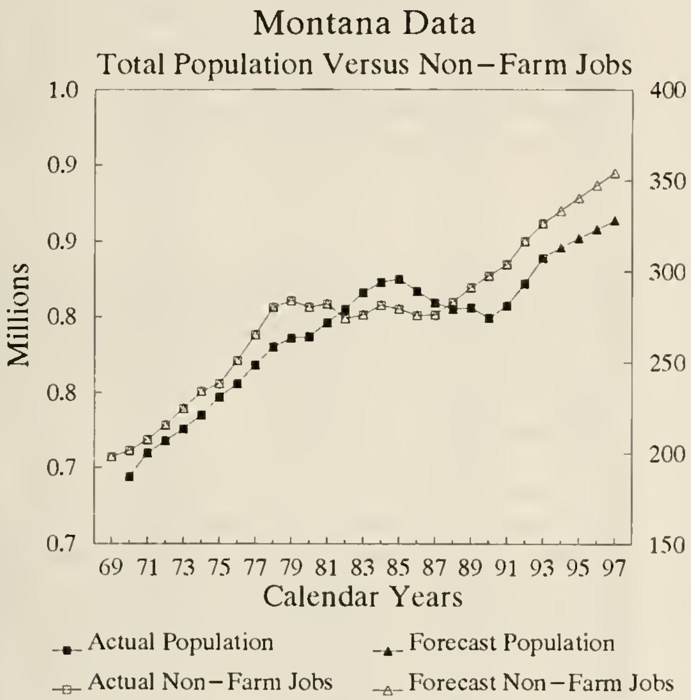
From calendar 1973 to 1993, Montana's total population grew by approximately 15.6 percent or 113,000 people - an annual average rate of .73 percent. Montana's population peaked in calendar 1985, then subsequently declined until calendar 1991 when population began to increase again. In calendar 1992 and 1993, population increased at a faster rate than in any other year since calendar 1973, approaching 2 percent per year.

The following table shows the relationship between population growth and employment. Generally, population growth is a result of birth rates and in-migration.

When employment prospects are high, more people in their child-bearing years remain in the state while non-residents tend to migrate to the available jobs. There is, however, a lag between increased job and population growth as people are slow to acknowledge increased (or declining) employment opportunities.

Job growth in Montana peaked in calendar 1978 and remained stable for a ten-year period until calendar 1988. However, population increased until calendar 1985, after which it declined. The resumption of employment growth in calendar 1988 did not spur increased population growth until calendar 1991. The lag between job and population growth is highly variable and is somewhat contingent on job opportunities in other states as well as the type of new jobs in Montana.

The high rate of employment and population growth observed in calendar 1992 and 1993 is expected to moderate somewhat because of the economic recovery currently underway in the U.S. As a result, Montana's annual employment growth is expected to be near 2 percent while population growth is expected to be about .7 percent per year.



	C Y	Total Population (Millions)	Percent Change	Total Non-Farm Jobs	Percent Service
	73	0.726		224.500	
	74	0.735	1.24%	234.000	4.23%
	75	0.747	1.63%	238.200	1.79%
	76	0.756	1.20%	251.000	5.37%
	77	0.768	1.59%	265.000	5.58%
	78	0.780	1.56%	280.400	5.81%
	79	0.786	0.77%	283.900	1.25%
	80	0.787	0.09%	280.400	−1.23%
	81	0.796	1.18%	281.800	0.50%
	82	0.805	1.13%	273.900	−2.80%
	83	0.816	1.37%	276.000	0.77%
	84	0.823	0.86%	281.200	1.88%
	85	0.825	0.24%	279.200	−0.71%
	86	0.817	−0.97%	275.500	−1.33%
	87	0.809	−0.98%	275.900	0.15%
	88	0.805	−0.49%	283.000	2.57%
	89	0.806	0.12%	291.100	2.86%
	90	0.799	−0.86%	297.300	2.13%
	91	0.807	0.99%	303.900	2.22%
	92	0.822	1.86%	316.600	4.18%
	93	0.839	2.07%	326.400	3.10%
Forecast	94	0.846	0.83%	333.400	2.14%
Forecast	95	0.852	0.71%	340.400	2.10%
Forecast	96	0.858	0.70%	347.600	2.12%
Forecast	97	0.864	0.70%	354.300	1.93%

Energy Prices

Montana has a vast potential for oil, coal, and natural gas exploration and extraction. Because of this potential and the current level of natural resource taxation, energy prices play a critical role in the budgetary process. Oil, coal, and natural gas severance taxes are directly affected by energy prices.

Oil

Oil well-head prices are expected to average $13.38 per barrel during calendar year 1994 and increase to $16.27 per barrel in calendar year 1997. The current relatively low price per barrel reflects the continued oversupply in world markets, as well as recessionary pressures in the world. As other nations rebound from an economic slowdown, demand for oil will increase, as will its price.

Natural Gas

Under the federal Natural Gas Policy Act of 1978, prices for all new gas were deregulated on January 1, 1985. As was anticipated, prices decreased with deregulation, due to contract renegotiations, lower import prices primarily from Canada, and the competitive prices of other fuels.

Average natural gas well-head prices are expected to increase throughout the forecast period. Natural gas surpluses are expected to begin diminishing and world oil prices are expected to increase slightly. With a more limited supply and more competitively priced fuels, well-head prices should begin to rise.

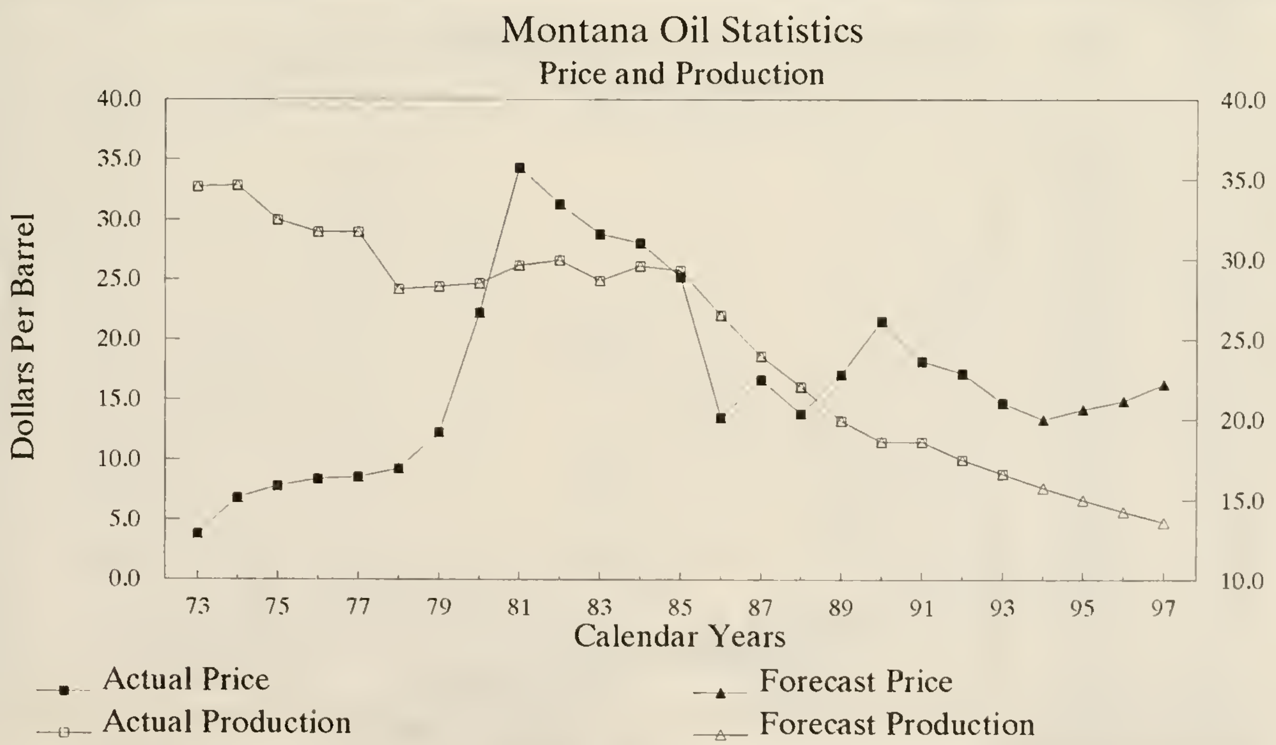
Coal

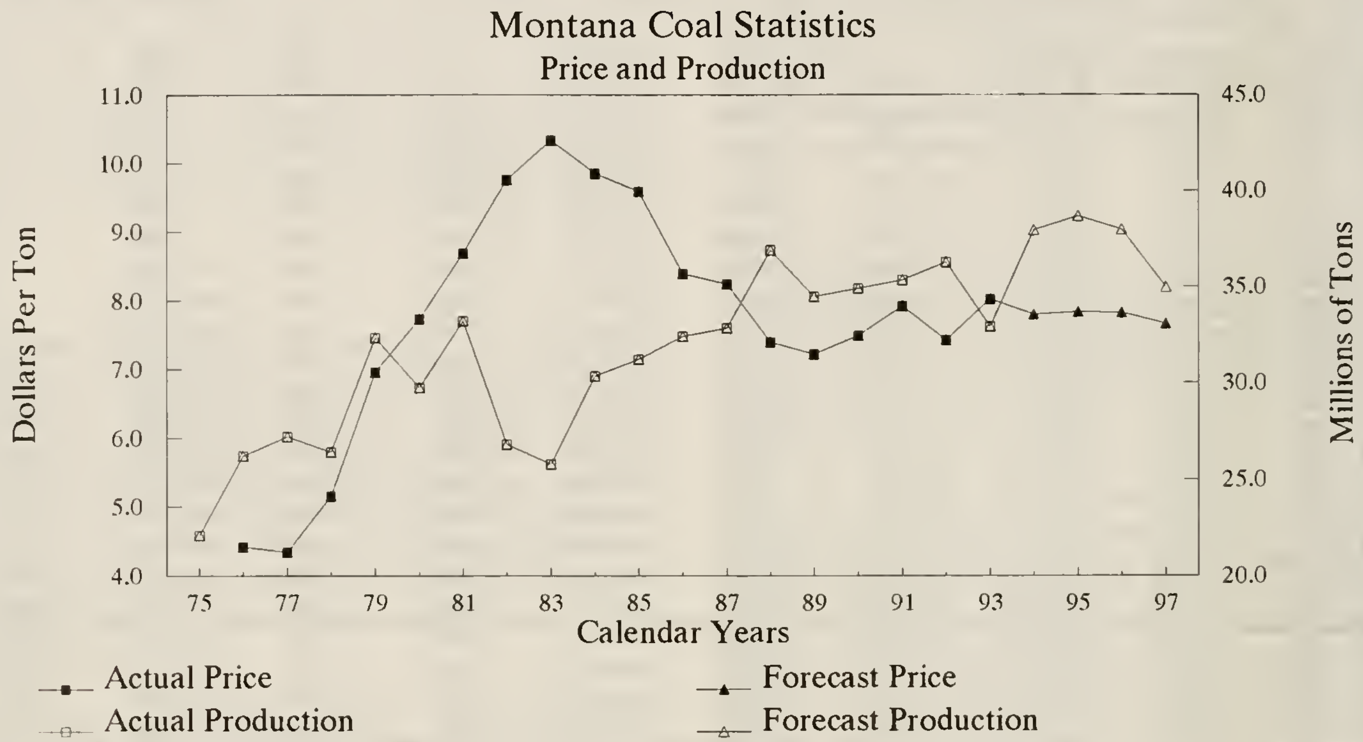
The coal industry in Montana and the rest of the United States is heavily dependent upon demand for electrical power. Moderate economic growth at the national level, combined with energy conservation, may contribute to moderate electrical usage growth.

With low demand and the competitive prices of other fuels, coal prices have remained soft. These conditions, in conjunction with a shift from long-term contracts to spot market sales, have caused prices to remain stable since calendar 1988. Because of the soft market, it is assumed coal companies will hold prices relatively constant to maintain competitiveness with other fuels.

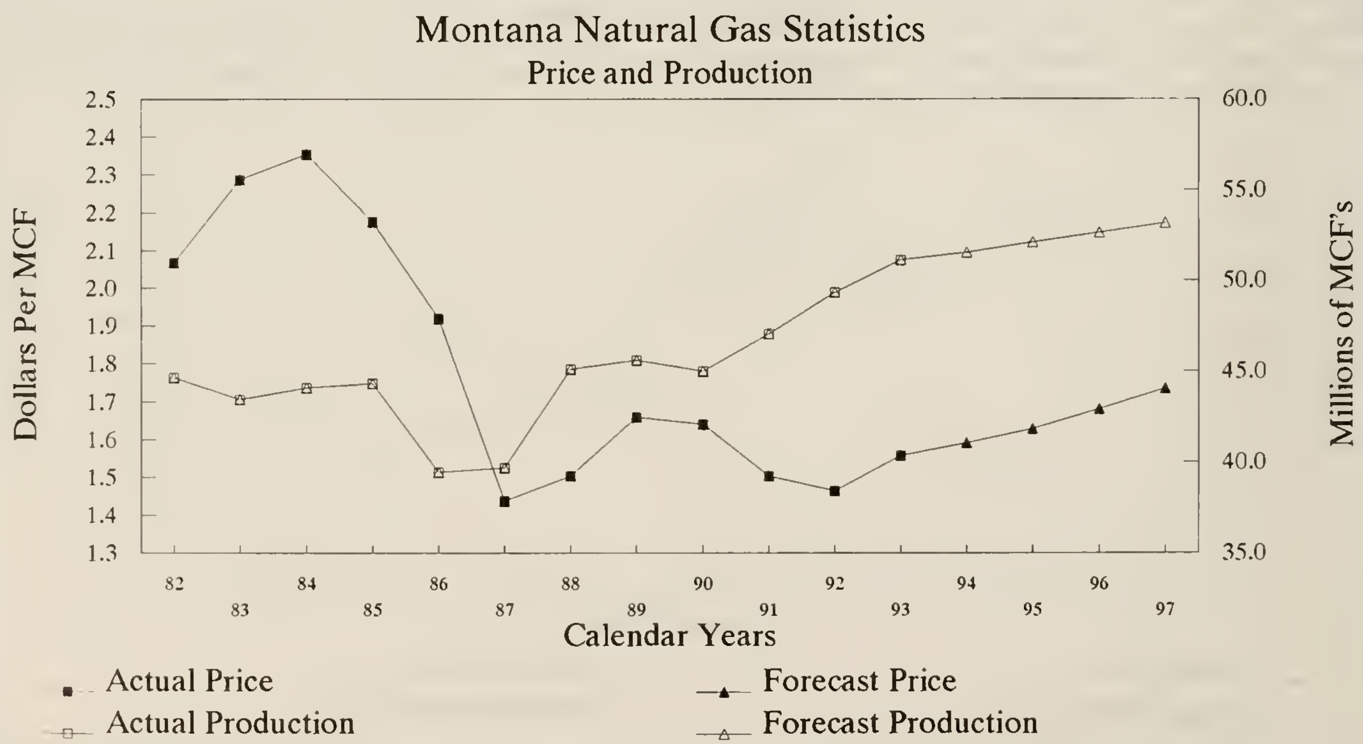
The following tables provide historical and projected energy prices for oil, coal, and natural gas. Historical data reflects information reported on tax returns, while forecasts are those adopted by ROC during its November 1994 meeting.

Year	Montana Oil Price	Montana Oil Production	Percent Change Oil Price	Montana Coal Price	Montana Coal Production	Percent Change Coal Price	Montana Natural Gas Price	Montana Natural Gas Production	Percent Change NG Price
A 75	$7.845	32.460		NA	22.076		NA	NA	
A 76	8.411	31.698	7.21%	$4.415	26.226	NA	NA	NA	
A 77	8.582	31.725	2.03%	4.344	27.205	−1.61%	NA	NA	
A 78	9.253	28.164	7.82%	5.154	26.418	18.65%	NA	NA	
A 79	12.279	28.337	32.70%	6.951	32.350	34.87%	NA	NA	
A 80	22.250	28.539	81.20%	7.724	29.752	11.12%	NA	NA	
A 81	34.317	29.639	54.23%	8.686	33.188	12.45%	NA	NA	
A 82	31.311	29.944	−8.76%	9.758	26.815	12.34%	NA	44.655	
A 83	28.804	28.695	−8.01%	10.332	25.785	5.88%	NA	43.456	
A 84	28.066	29.602	−2.56%	9.846	30.359	−4.70%	NA	44.079	
A 85	25.243	29.318	−10.06%	9.592	31.213	−2.58%	NA	44.330	NA
A 86	13.518	26.525	−46.45%	8.387	32.416	−12.56%	NA	39.444	NA
A 87	16.631	23.961	23.03%	8.240	32.847	−1.75%	NA	39.690	NA
A 88	13.843	22.064	−16.76%	7.385	36.879	−10.38%	1.503	45.126	NA
A 89	17.098	19.957	23.51%	7.209	34.469	−2.38%	1.659	45.595	10.37%
A 90	21.561	18.613	26.10%	7.486	34.884	3.84%	1.640	44.989	−1.15%
A 91	18.209	18.619	−15.55%	7.913	35.325	5.70%	1.503	47.044	−8.37%
A 92	17.198	17.491	−5.55%	7.415	36.248	−6.29%	1.464	49.327	−2.58%
A 93	14.766	16.635	−14.14%	8.014	32.911	8.08%	1.556	51.111	6.33%
F 94	13.380	15.738	−9.39%	7.792	37.920	−2.77%	1.591	51.557	2.22%
F 95	14.238	14.968	6.41%	7.830	38.657	0.49%	1.627	52.114	2.29%
F 96	14.891	14.248	4.59%	7.817	37.964	−0.17%	1.680	52.643	3.25%
F 97	16.271	13.575	9.27%	7.658	34.955	−2.03%	1.734	53.145	3.18%





Montana Coal Statistics
Price and Production
Dollars Per Ton
Millions of Tons
11.0
10.0
9.0
8.0
7.0
6.0
5.0
4.0
45.0
40.0
35.0
30.0
25.0
20.0
75
77
79
81
83
85
87
89
91
93
95
97
Calendar Years
Actual Price
Actual Production
Forecast Price
Forecast Production



Montana Natural Gas Statistics
Price and Production
Dollars Per MCF
Millions of MCF's
2.5
2.4
2.3
2.2
2.1
2.0
1.9
1.8
1.7
1.6
1.5
1.4
1.3
60.0
55.0
50.0
45.0
40.0
35.0
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
Calendar Years
Actual Price
Actual Production
Forecast Price
Forecast Production

ECONOMIC OVERVIEW

Interest Rates

Interest rates are highly susceptible to federal policies and the actions of the Federal Reserve Board. Critical factors affecting interest rates include the Federal Reserve's philosophy on fiscal and monetary policy, the federal deficit, and changes in the value of the dollar.

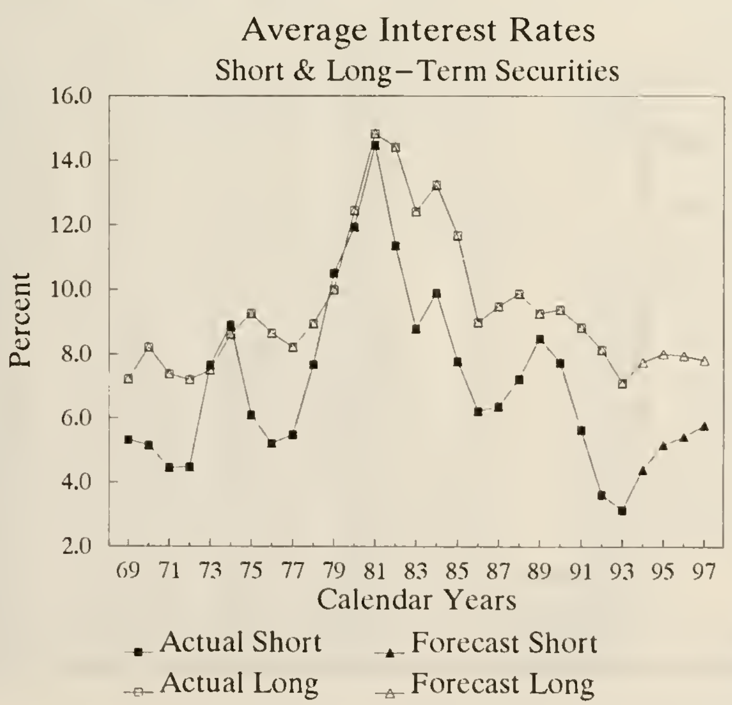
Interest rates declined sharply in calendar 1991, 1992, and 1993, reaching the lowest levels in over twenty years.

Interest rates directly affect Montana's investment earnings from both short and long-term securities. In addition, these rates impact other tax sources by influencing economic conditions such as construction activity, consumer spending, and business borrowing.

The following table provides historical interest rate information as provided by Wharton Econometrics. Also presented in the table are the projected interest rates adopted by ROC in November 1994.

Interest rates have risen throughout calendar 1994. The Federal Reserve raised the discount rate three times in calendar 1994 from 3 percent to 4.75 percent while the more important federal funds rate, which financial institutions charge each other for overnight loans, was increased six times from 3 percent to 5.5 percent. The increase in short-term interest rates by the Federal Reserve was in response to increasing concern that the U.S. economy is operating at near-full capacity, while borrowing demand for housing and durable goods remains strong. This action was precipitated by fears of higher inflation.

It is expected that short-term interest rates will continue to rise in 1995 and then moderate as current rate increases slow economic growth. Short-term rates are expected to increase more than long-term rates. Higher short term interest rates will increase revenues from treasury cash account investments, but will also increase the costs associated with short-term borrowing.



	C Y	Average Short Rates	Percent Change	Average Long Rates	Percent Change
	73	7.65		7.50	
	74	8.91	16.47%	8.60	14.67%
	75	6.11	−31.43%	9.27	7.79%
	76	5.21	−14.73%	8.64	−6.80%
	77	5.49	5.37%	8.22	−4.86%
	78	7.68	39.89%	8.95	8.88%
	79	10.50	36.72%	10.00	11.73%
	80	11.94	13.71%	12.46	24.60%
	81	14.48	21.27%	14.84	19.10%
	82	11.37	−21.48%	14.42	−2.83%
	83	8.78	−22.78%	12.42	−13.87%
	84	9.89	12.64%	13.25	6.68%
	85	7.77	−21.44%	11.69	−11.77%
	86	6.23	−19.82%	8.98	−23.18%
	87	6.37	2.25%	9.49	5.68%
	88	7.23	13.50%	9.87	4.00%
	89	8.48	17.29%	9.27	−6.08%
	90	7.74	−8.73%	9.38	1.19%
	91	5.63	−27.26%	8.82	−5.97%
	92	3.63	−35.52%	8.13	−7.82%
	93	3.16	−12.95%	7.11	−12.55%
Forecast	94	4.41	39.56%	7.75	9.00%
Forecast	95	5.18	17.46%	8.02	3.48%
Forecast	96	5.44	5.02%	7.96	−0.75%
Forecast	97	5.80	6.62%	7.81	−1.88%

ECONOMIC OVERVIEW

Inflation

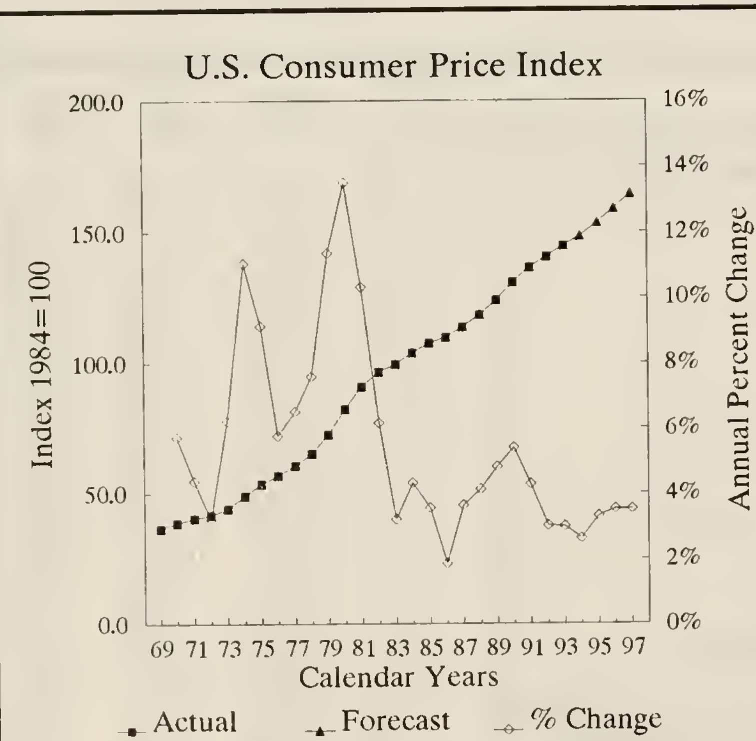
Inflation indices measure the rate of price escalation and/or decrease for goods and services. The most commonly used statistic is the Consumer Price Index (CPI) which is based on the prices of food, clothing, shelter, fuel, drugs, transportation fares, doctor and dentist fees, and other items.

During high inflationary periods, consumption of goods and services may decline. This not only slows employment growth but may discourage business activity because of higher operating costs. Low inflation may result in higher consumption, increased employment, and greater business opportunities.

Inflation rates have an impact on most revenue sources. The sources that are especially affected include personal income taxes, public institution reimbursements, and corporation taxes.

An annual inflation rate of 2.99 percent occurred during calendar year 1993. This rate is forecast to decrease to 2.63 percent in calendar 1994 and then increase during calendar years 1995, 1996, and 1997. This outlook anticipates: 1) modest wage compensation growth because of a need to make U.S. exports competitive; 2) energy prices increasing modestly; 3) food prices increasing slightly throughout the forecast period; and 4) reduced demand for goods and services as a result of recent sharp increases in interest rates.

The table below lists two measures of inflation as published by Wharton Econometrics. These national averages are provided because indices for Montana are not available.



	C Y	US CP Index	Percent Change	US GNP Deflator	Percent Change
	73	44.40		41.30	
	74	49.30	11.04%	44.90	8.72%
	75	53.80	9.13%	49.20	9.58%
	76	56.90	5.76%	52.30	6.30%
	77	60.60	6.50%	55.90	6.88%
	78	65.20	7.59%	60.20	7.69%
	79	72.60	11.35%	65.60	8.97%
	80	82.40	13.50%	71.70	9.30%
	81	90.90	10.32%	78.90	10.04%
	82	96.50	6.16%	83.80	6.21%
	83	99.60	3.21%	87.20	4.06%
	84	103.90	4.32%	91.10	4.47%
	85	107.60	3.56%	94.40	3.62%
	86	109.60	1.86%	96.90	2.65%
	87	113.60	3.65%	99.90	3.10%
	88	118.30	4.14%	103.80	3.90%
	89	124.00	4.82%	108.50	4.53%
	90	130.70	5.40%	113.20	4.33%
	91	136.30	4.28%	117.60	3.89%
	92	140.40	3.01%	120.90	2.81%
	93	144.60	2.99%	123.50	2.15%
Forecast	94	148.40	2.63%	126.20	2.19%
Forecast	95	153.30	3.30%	129.90	2.93%
Forecast	96	158.70	3.52%	133.90	3.08%
Forecast	97	164.30	3.53%	138.30	3.29%

MAJOR ECONOMIC ASSUMPTIONS

Year		Assumption	Units	CY/FY 1993	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
Population & Employment Indicators								
ROC		MT Population July 1	Millions	0.839	0.846	0.852	0.858	0.864
Com		MT Population >= 16 July 1	Millions	0.633	0.638	0.642	0.647	0.651
Com		MT Population 18-24 July 1	Millions	0.078	0.079	0.081	0.082	0.082
ROC	CY	MT Non-Farm Employment	Thousands	326.400	333.400	340.400	347.600	354.300
Montana Income Indicators								
Com	CY	MT Total Personal Income	Million $'s	14,616.978	15,560.485	16,391.222	17,175.693	18,038.229
ROC	CY	MT Net Farm Income	Million $'s	739.817	537.886	545.061	579.065	582.913
Com	CY	MT Disposable Personal Income	Million $'s	12,783.837	13,638.308	14,366.141	15,053.426	15,809.091
Com	CY	MT Non-Farm Wage & Salary Income	Million $'s	6,997.368	7,391.453	7,799.040	8,244.573	8,694.209
Individual Income Tax Indicators								
Com	CY	MT Non-Farm Wage & Salary Growth	% Change	4.59%	5.27%	4.93%	5.11%	4.88%
ROC	CY	MT Interest/Dividend Growth	% Change	-8.74%	2.17%	8.45%	5.54%	3.68%
ROC	CY	MT Net Business Income	% Change	2.56%	6.90%	1.80%	2.00%	2.10%
ROC	CY	MT Capital Gains/Losses Income	% Change	28.70%	4.70%	4.70%	4.70%	4.70%
ROC	CY	MT Rent/Roy./Partnership Income	% Change	7.98%	8.00%	8.00%	8.00%	8.00%
ROC	CY	MT All Other Income	% Change	10.35%	5.18%	5.55%	7.16%	6.50%
ROC	FY	Individual Income Tax Audits	Million $'s	16.610	20.241	18.000	18.000	18.000
Corporate Income Tax Indicators								
ROC	CY	US Corporate Profits Before Taxes	Billion $'s	462.400	495.700	520.000	545.500	572.200
Com	CY	MT Corporate Taxable Income	Million $'s	880.960	1,002.137	1,060.858	1,125.013	1,203.068
ROC	FY	Corporate Income Tax Audits	Million $'s	23.862	7.547	7.500	7.500	7.500
Inflation & Interest Rate Indicators								
ROC	CY	Consumer Price Index	% Change	2.99%	2.63%	3.30%	3.52%	3.53%
ROC	CY	Short Term Interest Rate	Percent	3.16%	4.41%	5.18%	5.44%	5.80%
ROC	CY	Long Term Interest Rate	Percent	7.11%	7.75%	8.02%	7.96%	7.81%
Com	FY	Short Term Interest Rate	Percent	3.43%	3.68%	4.73%	5.29%	5.59%
Com	FY	Long Term Interest Rate	Percent	7.71%	7.38%	7.86%	8.00%	7.90%
Com	FY	TCA Blended Interest Rate	Percent	4.53%	3.79%	4.95%	5.45%	5.72%
ROC	FY	TRANS Interest Spread	Percent	0.00%	0.61%	0.87%	1.04%	1.13%
ROC	FY	Treasury Cash Average Balance	Million $'s	295.216	310.571	300.695	286.075	283.891
ROC	FY	TRANS Issue Size	Million $'s	135.600	88.900	70.100	70.100	30.600
ROC	FY	Permanent Trust Gains/Losses	Million $'s	9.285	4.478	2.239	1.120	0.560
ROC	FY	Common School Trust Gains/Losses	Million $'s	6.235	4.327	2.163	1.082	0.541
ROC	FY	Resource Indemnity Trust Gains/Losse	Million $'s	1.505	1.122	0.561	0.281	0.141
ROC	FY	Parks Trust Gains/Losses	Million $'s	0.000	0.000	0.000	0.000	0.000
ROC	FY	Arts Trust Gains/Losses	Million $'s	0.113	0.081	0.041	0.021	0.011

MAJOR ECONOMIC ASSUMPTIONS

Year		Assumption	Units	CY/FY 1993	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
Natural Resource Tax Indicators								
ROC	CY	Total Oil Production	Million Barrel	17.396	16.825	15.780	15.016	14.313
Com	CY	Severance Tax Oil Production	Million Barrel	16.635	15.738	14.968	14.248	13.575
ROC	CY	Montana Oil Price	$ / Barrel	14.766	13.380	14.238	14.891	16.271
ROC	CY	Total Coal Production	Million Tons	32.911	37.920	38.657	37.964	34.955
ROC	CY	Montana Coal Price	CSP $'s / Ton	8.014	7.792	7.830	7.817	7.658
Com	FY	Coal Tax Credits	Million $'s	0.627	0.000	0.000	0.000	0.000
ROC	CY	Total Natural Gas Production	Million MCF's	51.111	51.557	52.114	52.643	53.145
ROC	CY	Montana Natural Gas Price	$ / MCF	1.556	1.591	1.627	1.680	1.734
ROC	CY	Total Gas Liquids Production	Million Gallon	6.734	6.793	6.866	6.936	7.002
ROC	CY	Montana Gas Liquids Price	$ / Gallon	0.220	0.225	0.230	0.238	0.246
ROC	CY	Copper Production	Million lbs	104.677	108.213	114.135	99.185	100.289
ROC	CY	Silver Production	Million ozs	3.712	2.143	2.206	2.266	2.291
ROC	CY	Gold Production	Million ozs	0.466	0.407	0.457	0.427	0.432
ROC	CY	Lead Production	Million lbs	7.652	8.770	8.770	8.951	9.051
ROC	CY	Zinc Production	Million lbs	21.511	20.716	20.716	21.069	21.303
ROC	CY	Molybdenum Production	Million lbs	7.513	8.100	9.600	10.300	10.415
ROC	CY	Palladium Production	Million ozs	0.203	0.205	0.213	0.218	0.220
ROC	CY	Platinum Production	Million ozs	0.066	0.063	0.066	0.063	0.064
ROC	CY	Nickel Production	Million lbs	0.161	0.237	0.303	0.345	0.349
ROC	CY	Rhodium Production	Million ozs	0.001	0.002	0.002	0.002	0.002
ROC	CY	Copper Price	$ / lbs	0.643	0.643	0.643	0.643	0.643
ROC	CY	Silver Price	$ / ozs	3.765	3.765	3.765	3.765	3.765
ROC	CY	Gold Price	$ / ozs	360.443	360.443	360.443	360.443	360.443
ROC	CY	Lead Price	$ / lbs	0.190	0.190	0.190	0.190	0.190
ROC	CY	Zinc Price	$ / lbs	0.430	0.430	0.430	0.430	0.430
ROC	CY	Molybdenum Price	$ / lbs	2.045	2.045	2.045	2.045	2.045
ROC	CY	Palladium Price	$ / ozs	115.586	115.586	115.586	115.586	115.586
ROC	CY	Platinum Price	$ / ozs	349.210	349.210	349.210	349.210	349.210
ROC	CY	Nickel Price	$ / lbs	2.148	2.148	2.148	2.148	2.148
ROC	CY	Rhodium Price	$ / ozs	1,020.561	1,020.561	1,020.561	1,020.561	1,020.561
Com	CY	Total Metal Value	Million $'s	323.567	299.302	326.616	308.021	311.447
ROC	FY	Total Federal Forest Receipts	Million $'s	47.358	55.420	57.914	48.510	47.562
Property Value Indicators								
Com	FY	Total Statewide Taxable Valuation	Million $'s	1,612.780	1,707.993	1,763.019	1,814.833	1,869.654
Com	FY	Net/Gross Proceeds Taxable Valuation	Million $'s	19.248	15.927	13.623	12.913	13.738
ROC	FY	All Other Taxable Valuation	Million $'s	1,593.532	1,692.066	1,749.397	1,801.919	1,855.917
ROC	FY	Statewide Vehicle Value	Million $'s	2,348.835	2,645.436	2,776.294	2,896.293	3,005.822

MAJOR ECONOMIC ASSUMPTIONS

Year	Assumption	Units	CY/FY 1993	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
Consumption Tax Indicators							
ROC FY	Liquor Unit Sales	Million $'s	4.997	4.868	4.771	4.675	4.582
ROC FY	Wine Unit Sales	Million $'s	0.004	0.000	0.000	0.000	0.000
ROC FY	Liquor Cost Per Unit	$'s / Unit	9.839	10.060	10.359	10.712	11.090
ROC FY	Wine Cost Per Unit	$'s / Unit	4.232	10.917	0.000	0.000	0.000
Com FY	Liquor Net Sales	Million $'s	38.610	38.672	38.612	39.139	39.717
ROC FY	Liquor Operations Budget	Million $'s	6.691	7.058	7.058	6.232	6.356
ROC FY	Beer Barrels	Millions	0.752	0.755	0.766	0.773	0.773
ROC FY	Wine Liters	Millions	4.736	4.746	4.578	4.416	4.259
ROC FY	Cigarette Packs	Millions	69.188	70.757	69.800	68.936	68.407
ROC FY	Tobacco Value	Million $'s	9.787	10.631	11.443	12.306	13.225
ROC FY	Gallons of Gasoline	Millions	454.773	476.695	479.951	484.706	488.502
ROC FY	Gallons of Diesel	Millions	123.583	162.110	165.760	170.915	176.335
ROC FY	Video Machine Net Income	Million $'s	176.966	199.524	219.830	239.887	262.852
ROC FY	Total Lottery Sales	Million $'s	36.763	37.483	38.169	38.867	39.575
ROC FY	Insurance Premiums Growth	% Change	10.12%	7.74%	4.00%	4.00%	4.00%
ROC FY	Insurance Premiums Tax Credit	Million $'s	3.334	4.053	3.007	2.463	2.463
ROC FY	Police & Firemen Retirement	Million $'s	7.995	8.752	9.430	10.420	11.014
ROC CY	Telephone Taxable Income	Million $'s	222.555	224.112	226.802	229.523	232.966
ROC CY	Kilowatt Hours Produced	Millions	19,078.989	21,730.433	21,995.656	22,451.941	22,535.002
Other Indicators							
ROC FY	Medicaid Reimbursements	Million $'s	11.630	12.728	13.120	14.065	14.507
ROC FY	MDC Debt Service	Million $'s	0.000	0.000	0.000	(0.477)	(1.089)

REVENUE ESTIMATES

Introduction

The economic variables and assumption forecasts described in the preceding sections are utilized as part of the forecasting process for the general fund revenue sources. As shown graphically on the next page, these various sources can be grouped by major component to determine their relative importance to the overall general fund revenue picture. Major component categories include: personal income tax, corporation income tax, property tax, income from the state's natural resources, interest earnings, federal reimbursements, and numerous other fees, fines, and taxes. Clearly, personal income tax represents the largest source of revenue for the state's general fund, contributing over half of the fund's income.

Property tax receipts, which represent the largest source of revenue for the state's public schools with an estimated contribution of over 70 percent of state equalization for the 1997 biennium, will be deposited in the general fund beginning in fiscal 1996. Senate Bill 83, passed by the 1995 legislature is the legislation authorizing this change.

The table below provides historical and forecast levels of revenue for some of the major revenue sources contained in the seven revenue component categories listed above. Actual fiscal 1994 revenue figures are provided, along with projections for fiscal 1995 through 1997, as determined in accordance with the economic assumptions adopted by 1995 legislature.

Beginning in fiscal 1995, personal income tax and corporate income tax receipts are no longer distributed to the school equalization account as a result of SB 378 passed by the 1993 legislature. Consequently, the majority of these revenue sources are deposited directly into the general fund (91.3 percent of personal income tax and 89.5 percent of corporate income tax).

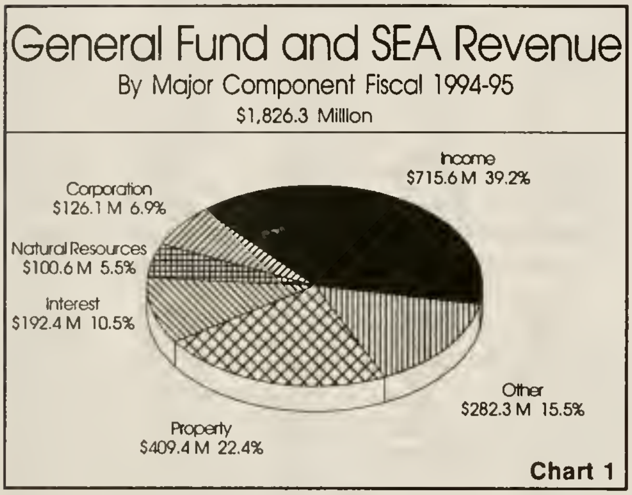
Following are descriptions summarizing the forecast methodology used for each of the larger general fund revenue sources. Also shown are historical collections for each major source and projected revenue for the 1997 biennium.

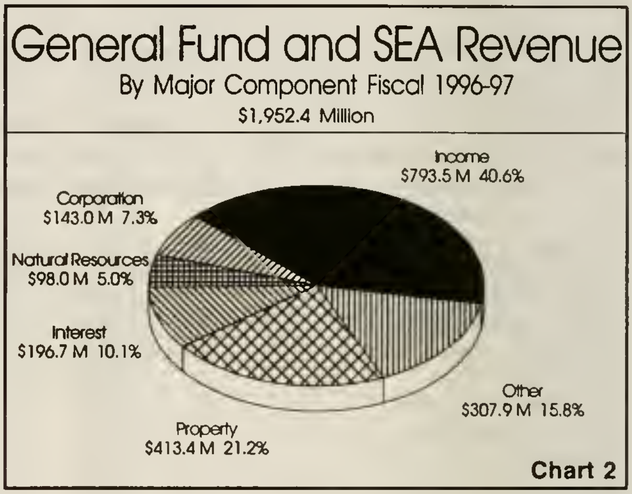
Combined General Fund/SEA Revenue Estimates

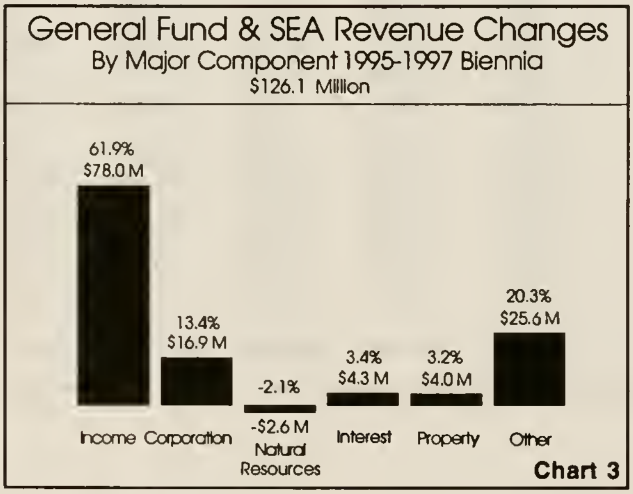
Figures In Millions

Source of Revenue	Actual Fiscal 94	Estimated Fiscal 95	Estimated Fiscal 96	Estimated Fiscal 97	Estimated FY 94–95	Estimated FY 96–97	Estimated Change	Percent of Total
Individual Income Tax	$315.678	$338.062	$356.207	$368.953	$653.740	$725.160	$71.420	37.14%
Corporation License Tax	53.997	59.303	62.477	65.899	113.300	128.376	15.076	6.58%
Coal Severance Tax	11.046	11.910	11.876	11.207	22.956	23.083	0.127	1.18%
Oil Severance Tax	12.093	10.964	9.406	9.223	23.057	18.629	(4.428)	0.95%
Interest on Investments	11.776	14.884	15.633	16.310	26.660	31.943	5.283	1.64%
Long–Range Bond Excess	49.215	48.612	50.696	52.333	97.827	103.029	5.202	5.28%
Coal Trust Interest Income	41.725	41.807	41.662	41.892	83.532	83.554	0.022	4.28%
Insurance Premiums Tax	22.511	24.087	25.030	25.469	46.598	50.499	3.901	2.59%
Public Institutions Reimbursement	15.415	15.881	16.631	16.545	31.296	33.176	1.880	1.70%
Liquor Profits	3.438	3.261	4.235	8.626	6.699	12.861	6.162	0.66%
Liquor Excise Tax	6.324	6.275	6.360	6.452	12.599	12.812	0.213	0.66%
Inheritance Tax	10.886	11.176	11.500	11.804	22.062	23.304	1.242	1.19%
Metal Mines Tax	3.613	2.984	3.266	3.080	6.597	6.346	(0.251)	0.33%
Electrical Energy Tax	3.728	4.076	4.146	4.196	7.804	8.342	0.538	0.43%
Drivers' License Tax	1.855	2.138	3.779	3.805	3.993	7.584	3.591	0.39%
Telephone License Tax	6.835	4.023	4.072	4.127	10.858	8.199	(2.659)	0.42%
Beer License Tax	1.376	1.380	1.391	1.391	2.756	2.782	0.026	0.14%
Natural Gas Severance Tax	1.311	1.465	1.448	1.486	2.776	2.934	0.158	0.15%
Railroad Car Tax	0.067	0.000	0.000	0.000	0.067	0.000	(0.067)	0.00%
Wine Tax	0.764	0.733	0.707	0.681	1.497	1.388	(0.109)	0.07%
Video Gaming Income Tax	9.955	10.991	11.994	13.143	20.946	25.137	4.191	1.29%
Motor Vehicle Account	9.721	9.980	10.392	10.795	19.701	21.187	1.486	1.09%
Vehicle Fees	3.704	3.887	4.055	4.208	7.591	8.263	0.672	0.42%
Public Contractor's Tax	0.964	0.967	1.067	1.011	1.931	2.078	0.147	0.11%
Other Revenue Sources	18.094	24.653	23.854	26.237	42.747	50.091	7.344	2.57%
Property Tax	202.381	207.023	211.803	201.548	409.404	413.351	3.947	21.17%
Interest & Income	40.944	40.796	39.075	41.722	81.740	80.797	(0.943)	4.14%
US Oil & Gas Royalties	22.052	23.165	23.787	23.209	45.217	46.996	1.779	2.41%
Lottery	8.524	8.678	9.727	9.907	17.202	19.634	2.432	1.01%
Other SEA Revenue Souces	1.865	1.261	0.546	0.343	3.126	0.889	(2.237)	0.05%
Grand Total	$891.857	$934.422	$966.822	$985.602	$1,826.279	$1,952.424	$126.145	100.00%

REVENUE ESTIMATES







Individual Income Tax

Individual or personal income tax is the largest single source of revenue to the general fund, comprising over 50 percent of total collections.

This tax was first enacted in 1933 and has been amended many times since then. The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. The marginal tax rates range from 2 percent to 11 percent, with the size of the tax brackets and the values of the personal exemption and standard deduction fully indexed for inflation. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

The income tax forecasts for the 1997 biennium are based on moderate growth in wage and salary income and employment. While national economic conditions are improving, Montana's economic growth is expected to remain moderate, primarily due to slower population growth coupled with the continuing shift in employment from basic industries to the service sectors. Additional factors that affect receipts include credits, exemptions, indexation, and audit efforts by the Department of Revenue (DOR). Projections for fiscal years 1995 through 1997 are based on inflation rates of 3.3, 3.5, and 3.5 percent, respectively, and the continuation of all statutory credits and exemptions. The projections also include annual audit collections of $18.0 million for fiscal 1995, 1996, and 1997, as shown in Table 1.

Table 1
Personal Income Tax Audit Collections
Fiscal Year 1991-97

FY	Millions
1991 Actual	$11.3
1992 Actual	14.1
1993 Actual	16.4
1994 Actual	20.2
1995 Estimated	18.0
1996 Estimated	18.0
1997 Estimated	18.0

In adopting revenue estimates for the 1997 biennium, ROC used DOR estimates of audit activity in the 1997 biennium.

During the July 1992 special session, the legislature imposed a personal income tax surtax of 2.3 percent for calendar 1992 and 4.7 percent for calendar 1993.

However, the Fifty-third Legislature enacted House Bill 671 which revised the income tax system and repealed the 4.7 percent surtax for calendar 1993. By voter approval, HB 671 was permanently suspended on election day in November 1994. The income tax laws in existence prior to the passage of HB 671 were reinstated. As Table 2 shows, a personal income tax surtax has been in effect for 20 of the last 27 years at varying rates.

Table 2
Personal Income Tax Surtax

Tax Year	Rate (%)
1967-1968	5.0
1969-1970	10.0
1971-1972	40.0
1973-1980	10.0
1987-1988	10.0
1990	5.0
1992	2.3
1993	4.7
1994 and Beyond	0.0

Personal income tax collections have historically been distributed among three accounts (the general fund, the SEA, and debt service). The 1993 legislature eliminated the distribution of income tax revenues to the SEA beginning in fiscal 1995. Table 3 shows the current and historical allocations of these tax collections.

During the 1991 regular session, the legislature enacted Senate Bill 226, which was anticipated to increase personal income tax collections by $27.9 million during the 1993 biennium. This bill made state, local, and teachers' retirement benefits taxable. It also allowed a $3,600 exemption from taxable income for all retirement income for tax years after December

Table 3
Distribution of Individual Income Tax Collections

Fiscal Year	General Fund	School Equalization	Debt Service
1975-86	64.0%	25.0%	11.0%
1987-89	58.2	31.8	10.0
1990	57.0	33.2	9.8
1991	50.0	41.3	8.7
1992-93	62.8	28.5	8.7
1994	59.5	31.8	8.7
1995 and Beyond	91.3	0.0	8.7

31, 1990. The deduction is phased out for taxpayers with federal adjusted gross income which exceeds $30,000. Previous law allowed state retirees an exemption equal to all retirement income. Administrative rules adopted by the DOR in tax year 1989 in response to a federal court ruling allowed federal retirees to exempt all of their retirement income. Senate Bill 226 also provided for a 2.5 percent annual increase in benefits for public employees and teachers retirement system recipients living in Montana. These increased benefit payments were found to violate U.S. statutory law in *Edmund F. Sheehy et al. v. Public Employees Retirement System et al.*

This decision only affected the 2.5 percent benefit adjustment. The federal court ruling which found that retirees had been taxed illegally redounded to the benefit of federal retirees in Montana in their suit, *Edmund F. Sheehy, et al. v. State of Montana.* This case was settled in November 1993, and in August 1994, the Department of Revenue issued income tax refund checks to federal retirees totalling $10.7 million. The refunds were for taxes collected illegally for tax years 1983 through 1988. Earlier in fiscal 1994, federal retirees were issued refunds in the amount of $4.8 million for taxes illegally collected in tax year 1988. These refunds reduced fiscal 1994 collections by $15.5 million.

The legislature enacted several measures during the 1991 regular and January 1992 special sessions that accelerated due dates for certain income tax payments resulting in additional "one-time" tax collections during the 1993 biennium:

House Bill 959 required that taxpayers who apply for an extension of time for filing an individual income tax return must pay 95 percent of the current year tax liability or 100 percent of the previous year tax liability at the time of filing. The act is effective for tax years after December 31, 1990, and resulted in approximately $11.0 million of "one-time" revenue in fiscal 1992.

House Bill 14 required that any taxpayer with annual liability (less credits and withholding payments) greater than $500 will be required to file quarterly estimated tax payments beginning in tax year 1993. (If more than two-thirds of a taxpayer's income is net farm income, he is not required to file quarterly returns.) This bill was expected to accelerate collections by $32.5 million in fiscal 1993.

Additional "one-time" collections of $18.7 million occurred in the general fund in fiscal 1992, when the executive changed from a "modified" to "full" accrual method of accounting.

Personal income tax collections in fiscal 1993 and 1994 were above levels anticipated during the 1993 regular and special sessions. The greater growth in fiscal years 1993 and 1994 was due to historically high growth rates in wages and salaries in calendar 1992 and significant increases in capital gains and rental incomes in 1993. Wages and salaries grew by 8 percent in calendar 1992 and by 4.6 percent in calendar 1993. Capital gain income grew by over 28 percent and rental income nearly 8 percent in 1993. In recent years, nonwage income comprises a growing segment of Montana's total income, growing from 30

percent in calendar 1986 to 34.2 percent in calendar 1993. Since this income component is more volatile than wage income, estimating personal income tax collections has become more complex.

The 1995 legislature enacted several measures that will impact income tax collections.

House Bill 171 authorizes a statutory appropriation to refund income taxes to taxpayers. The refund is the amount of unreserved fund balance in the general fund which exceeds $24.4 million at the end of fiscal 1995. The refund is to be returned to taxpayers who filed a tax return for tax year 1994. If the amount of unreserved fund balance which exceeds $24.4 million does not equal at least $10 million, then the refund may not be made. The refund for each taxpayer may not exceed $1,000 and must be at least $10. The refund will be calculated by multiplying a percentage determined by the Department of Revenue times the tax year 1994 income tax liability. The percentage determined by the department is the ratio of the amount available for refund divided by total tax year 1994 tax liability, adjusted by the upper and lower refund limits, of those taxpayers eligible for the refund. Refunds to individual taxpayers will be mailed in November, 1995. It is expected that $16.378 million will be distributed in income tax refunds. The bill contains an appropriation for $300,000 from the general fund for the Department of Revenue to administer this act. This appropriation is authorized for fiscal 1995 and is reappropriated for the 1997 biennium.

House Bill 199 makes permanent the income tax credit for contributions to the general endowment funds of the Montana University System foundations and Montana private college foundations. The current law credit was scheduled to expire on December 31, 1995. The renewed credit is expected to decrease personal income tax revenue by $.105 million per year and corporation license tax revenue by $.002 million per year.

House Bill 202 allows a deduction from the Montana adjusted gross income for one-half of medical premiums paid during the tax year. Under current law, all medical premiums contribute toward medical expenses which are deductible to the extent they exceed 7.5 percent of Montana adjusted gross income. Under the new law, the remaining one-half of medical insurance premiums can still be used to contribute to deductible medical expenses subject to the 7.5 percent floor. The new medical insurance deduction will be available for tax year 1995 and will affect income tax revenues in both years of the 1997 biennium. Income tax revenues are expected to be reduced by $3.191 million during the 1997 biennium.

House Bill 209 provides an inflation-adjusted minimum standard deduction for all income taxpayers. Under current law, the standard deduction is the lesser of 20 percent of adjusted gross income or a maximum amount depending on the taxpayer's filing status. HB 209 retains the structure for the standard deduction but sets a lower dollar limit on the amount of the standard deduction. In tax year 1996, the first year in the which the minimum standard deduction will become operative, the minimum standard deduction will equal approximately $1,270 for single taxpayers and for married taxpayers filing separately and $2,540 for heads of household and for married taxpayers filing jointly. HB 209 will reduce income tax revenues by $.520 million per year in fiscal 1997 and beyond.

House Bill 293 revises the state income tax withholding and old fund liability tax (OFLT) laws by providing the option of electronic filing and by aligning the timing for payment of withholding tax and the OFLT with the payment of federal withholding tax. Under the new withholding schedules, any employer with total liability for withholding of $12,000 or more during the preceding lookback period must remit withholding payments in conformity with the employer's payroll period. If the total withholding liability for the lookback period is between $1,200 and $12,000, withholding payments must be made monthly. For withholding liabilities of less than $1,200 for the preceding lookback period, withholding payments must be made annually.

Payment of withholding liabilities to the Department of Revenue will be accelerated for employers with withholding liabilities between $1,200 and $300,000. These payments under current law are made on a quarterly basis, but will be made more often depending on the employers' payroll periods. Payments by employers with less than $1,200 in withholding liabilities will be decelerated, as the payments that are made quarterly will instead be made annually. Employers with less than $1,200 in withholding liabilities account for only 2.1 percent of the total

withholding liability.

The new withholding schedules will be effective beginning January 1, 1996. Because of the acceleration of withholding receipts, treasury cash interest earnings will increase in fiscal 1996 and fiscal 1997 by $.965 million. Additionally, because the state will have the cash earlier in fiscal year 1997, the amount of Tax Revenue Anticipation Notes (TRANS) sold will be reduced. For each dollar in TRANS, the state is able to earn arbitrage because the interest rates at which the state invests TRANS proceeds exceeds the interest rate it must pay investors in TRANS. A reduction in TRANS will result in $.4 million in reduced arbitrage earnings in fiscal 1997.

House Bill 497 expands the credit for elderly homeowners and renters.

Under current law, homeowners who are at least 62 years old and have a household income of less than $12,000 may receive an income tax credit for property taxes paid on their homestead. Renters meeting the same criteria may also claim the credit for rent-equivalent property taxes paid. The amount of the credit decreases with income and the maximum credit allowable is $400 per year. Beginning in tax year 1995, HB 497 increases the maximum allowable credit to $1,000. State income tax revenues are expected to decline by $1.375 million during the 1997 biennium as a result of this provision in HB 497.

House Bill 560 provides for an exclusion from Montana adjusted gross income of funds contained within a medical care savings account and for funds withdrawn from that account for eligible medical expenses or for long-term care. Individuals or employees may deposit any amount in a medical care savings account for use by the individual or his/her dependents. Up to $3,000 per year of these deposits may be excluded from adjusted gross income. The account holder may use the amount in the account only for qualified medical expenses or for long term care, although the entire amount in the account need not be withdrawn. There is no limitation on the amount of funds and interest or other income on these funds that may be retained tax-free in an account. HB 560 will become effective in tax year 1996 and will reduce income tax collections in fiscal 1997 and beyond by $3.1 million per year.

House Bill 567 was designed to revise the laws governing the qualified Montana small business investment capital company. The capital company act allows a tax credit of up to 50 percent of the investment in all qualified Montana capital companies. (For additional information on the Montana capital company act provisions, reference section 90-8-202, MCA.) HB 567 would have extended the period in which these investments could qualify for the credit. HB 567 was not approved by the 1995 legislature, and as a result, investments made in capital companies after July 1, 1995 will not qualify for the tax credit. The credit will continue to apply for investments made in qualifying capital companies before fiscal 1996. The revenue impact associated with the failure of HB 567 will be positive, but the exact amount of the impact is unknown.

House Bill 570 allows regulated investment companies (RIC's) to deduct pass-through dividends from Montana adjusted gross income to derive Montana taxable income. A regulated investment corporation is any domestic corporation that derives at least 90 percent of its gross income from dividends, interest, payments with respect to certain securities loans and gains on the sale of stock and securities. Typical of a RIC is the mutual fund that makes diversified investments for its shareholders. HB 570 also allows shareholders in a RIC to exclude from Montana adjusted gross income receipts of exempt interest dividends. At the present there are no regulated investment corporations operating in Montana, and thus the effect of this bill on income and corporation tax revenue is expected to be minimal.

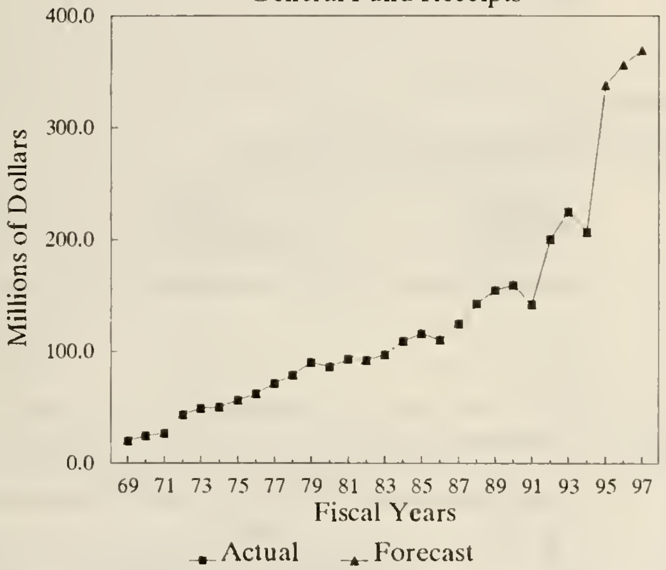
Senate Bill 56 shortens the extension of time for filing an income tax return from six months to four months. Under current law, the extension period for filing a final income tax return is six months beyond the normal filing date. SB 56 reduces the extension period to four months. In addition, SB 56 reduces the amount of current year tax liability that must be paid when applying for an extension from 95 percent of the current year liability to 90 percent of the current year liability. The new law applies to tax returns due after December 31, 1994. The new law will have minimal positive effects on state interest earnings as a result of earlier receipt of tax payments.

Senate Bill 358 extends by six years the termination date for the recycling credit and recycling deduction for the personal income tax and the corporation license

tax, both of which had been set to expire on December 31, 1995. In addition, SB 358 extends the application of the credit to investments in equipment used to treat soils contaminated by hazardous wastes. SB 358 is not expected to reduce income tax revenues since few nonincorporated firms claim the credit against income taxes.

Individual Income Tax

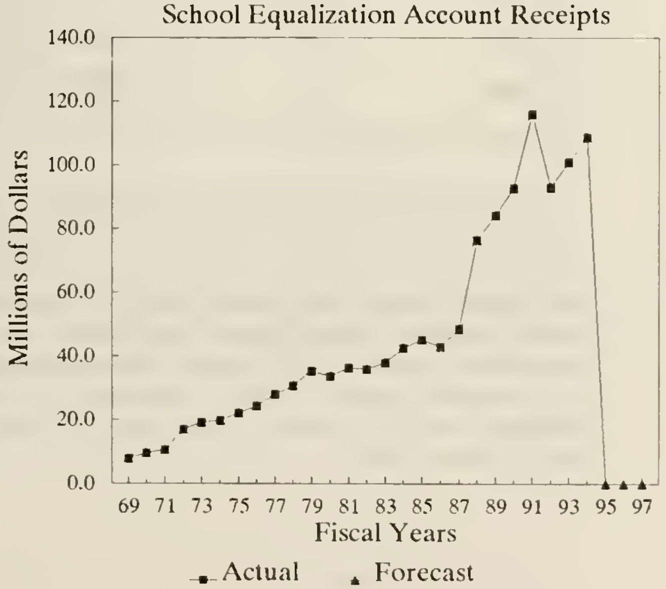
General Fund Receipts



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	77.065529	49.321939	
	74	78.948911	50.527303	2.44%
	75	88.599367	56.703595	12.22%
	76	97.520297	62.412990	10.07%
	77	111.861527	71.591377	14.71%
	78	123.620798	79.117312	10.51%
	79	141.420747	90.509280	14.40%
	80	134.987298	86.391870	−4.55%
	81	146.036286	93.463223	8.19%
	82	143.803751	92.034568	−1.53%
	83	151.800311	97.152215	5.56%
	84	170.346345	109.021660	12.22%
	85	181.057157	115.876580	6.29%
	86	172.216130	110.218323	−4.88%
	87	194.676947	124.593246	13.04%
	88	243.768721	142.746609	14.57%
	89	265.539814	154.673139	8.36%
	90	279.642960	159.443210	3.08%
	91	282.960086	142.282737	−10.76%
	92	321.538093	200.683725	41.05%
	93	356.986934	225.293810	12.26%
	94	345.643403	207.010767	−8.12%
Forecast	95	369.955576	338.062135	63.31%
Forecast	96	389.807481	356.206600	5.37%
Forecast	97	403.752210	368.952653	3.58%

Individual Income Tax

School Equalization Account Receipts



	F Y	Total Collections Millions	SEA Collections Millions	Percent Change
	73	77.065529	19.266382	
	74	78.948911	19.737228	2.44%
	75	88.599367	22.149842	12.22%
	76	97.520297	24.380074	10.07%
	77	111.861527	27.965382	14.71%
	78	123.620798	30.905199	10.51%
	79	141.420747	35.355186	14.40%
	80	134.987298	33.746825	−4.55%
	81	146.036286	36.509072	8.19%
	82	143.803751	35.950822	−1.53%
	83	151.800311	37.950067	5.56%
	84	170.346345	42.586587	12.22%
	85	181.057157	45.264290	6.29%
	86	172.216130	43.054033	−4.88%
	87	194.676947	48.669237	13.04%
	88	243.768721	76.494683	57.17%
	89	265.539814	84.290457	10.19%
	90	279.642960	92.787255	10.08%
	91	282.960086	115.933687	24.95%
	92	321.538093	92.880426	−19.88%
	93	356.986934	100.893925	8.63%
	94	345.643403	108.666666	7.70%
Forecast	95	369.955576	0.000000	−100.00%
Forecast	96	389.807481	0.000000	
Forecast	97	403.752210	0.000000	

Corporation License Tax

The corporation license tax is levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. The tax rate is 6.75 percent, except for corporations making a "water's edge" election (section 15-31-322, MCA), who pay a 7 percent tax on their net income.

Eighty percent of the corporation taxes collected from financial institutions (excluding collections from the surtax imposed for tax years 1992 and 1993) is distributed to local governments in the county in which the financial institution is located. The remaining 20 percent is allocated as shown in Table 4. The 1993 legislature eliminated the distribution of corporation tax revenues to the school equalization account beginning in fiscal 1995.

Table 4
Distribution of Corporation License Tax Collections*

Fiscal Year	General Fund	School Equalization	Debt Service
1975-1990	64.0%	25.0%	11.0%
1991 - 1994	61.0	28.5	10.5
1995 and Beyond	89.5	0.0	10.5

*After distribution of financial institutions' corporation tax to counties.

Surtaxes on corporate income tax liability were imposed in two recent tax years. House Bill 671 repealed the surtax for tax year 1993, which was imposed during the July 1992 special session. By voter approval, HB 671 was permanently suspended on election day in November 1994. The corporation income tax laws in existence prior to the passage of HB 671 were reinstated.

House Bill 56, enacted during the June 1989 special session, required corporations with annual liabilities in excess of $5,000 to make quarterly estimated tax payments beginning in tax year 1990. Previously, tax payments were made annually. HB 56 resulted in approximately $17.0 million of accelerated collections in fiscal 1990 and 1991.

The forecasts for fiscal 1995 through 1997 are based on moderate economic growth. This assumption is premised on inflation in the range of 3.3 to 3.5 percent, short-term interest rates of about 5.2 to 5.8 percent, and oil prices between $14.00 and $16.50 per barrel.

Table 5
Corporate Tax Surtax

Tax Year	Rate (%)
1990	5.0
1992	2.3
1993	4.7
1994 and Beyond	0.0

Additional factors that affect receipts include tax credits and the audit efforts by DOR. As with individual income tax, all forecasts have been adjusted for allowable credits. The projections for audit collections are $7.5 million each year for fiscal 1995 through fiscal 1997.

REVENUE ESTIMATES

The revenue estimates for the 1993 biennium included a substantial amount from corporation tax audits, as Table 6 shows. During the January 1992 special session, the Executive Budget requested and the legislature approved funding for increased travel and personal services to accelerate audit collections. In response, the legislative revenue estimates were raised $3.1 million in fiscal 1992 and $5.1 million in fiscal 1993, for a total of $10.2 million in fiscal 1992 and $13.3 million in fiscal 1993. During the July 1992 special session, however, DOR testified that its fiscal 1992 audit collections had exceeded the estimate but it would not be able to reach the anticipated level for fiscal 1993. Based on this testimony, anticipated audit collections were reduced by $5.1 million. At the beginning of the 1993 session, DOR informed the legislature of an audit settlement of $15.2 million. This amount was included in the fiscal 1993 estimate. In adopting revenue estimates for the 1997 biennium, ROC used DOR's estimates of audit activity for the 1995 biennium.

Table 6
Corporation Tax Audit Collections
Fiscal Year 1991-95

FY	Million
1991 Actual	$8.1
1992 Actual	15.3
1993 Actual	23.9
1994 Actual	7.5
1995 Estimated	7.5
1996 Estimated	7.5
1997 Estimated	7.5

Additional "one-time" receipts of approximately $2.5 million occurred in fiscal 1992, when the executive changed from a "modified" to "full" accrual method of accounting. This change in methodology reduced general fund receipts by $1.5 million in fiscal 1992.

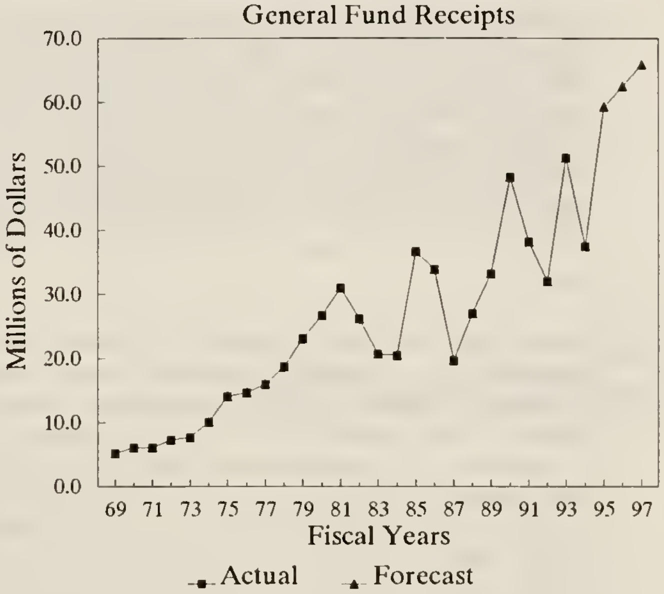
The 1995 legislature enacted several measures that impact corporation tax collections.

House Bill 199 makes permanent the income tax credit for contributions to the general endowment funds of the Montana University System foundations and Montana private college foundations. The current law credit is scheduled to expire on December 31, 1995. The renewed credit is expected to decrease personal income tax revenue by $.105 million per year and corporation license tax revenue by $.002 million per year.

House Bill 567 was designed to revise the laws governing the qualified Montana small business investment capital company. The capital company act allows a tax credit of up to 50 percent of the investment in all qualified Montana capital companies. (For additional information on the Montana capital company act provisions, reference section 90-8-202, MCA.) HB 567 would have extended the period in which these investments could qualify for the credit. HB 567 was not approved by the 1995 legislature, and as a result, investments made in capital companies after July 1, 1995 will not qualify for the tax credit. The credit will continue to apply for investments made in qualifying capital companies before fiscal 1996. The revenue impact associated with the failure of HB 567 will be positive, but the exact amount of the impact is unknown.

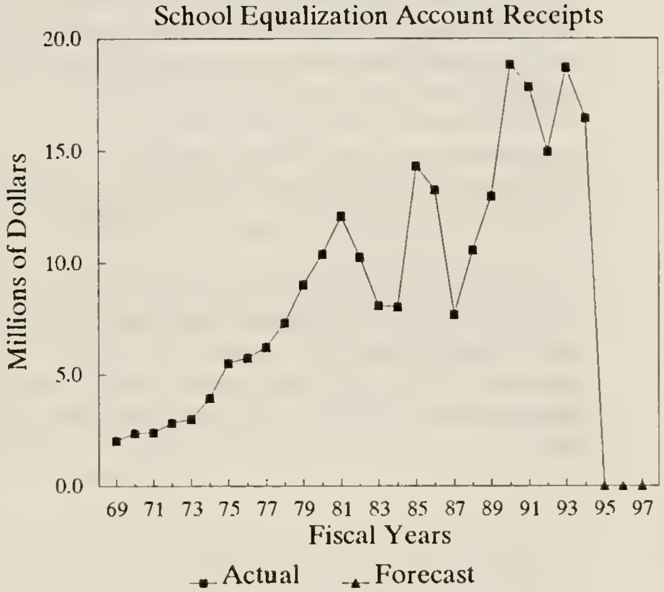
Senate Bill 358 extends by six years the termination date for the recycling credit and recycling deduction for the personal income tax and the corporation license tax, both of which had been set to expire on December 31, 1995. In addition, SB 358 extends the application of the credit to investments in equipment used to treat soils contaminated by hazardous wastes. SB 358 is expected to reduce corporation tax revenues by approximately $.2 million per year, beginning in fiscal 1997.

Corporation License Tax
General Fund Receipts



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	12.057255	7.716643	
	74	15.736161	10.071143	30.51%
	75	22.078581	14.130292	40.30%
	76	23.020112	14.732872	4.26%
	77	24.957239	15.972633	8.41%
	78	29.238770	18.712814	17.16%
	79	36.091654	23.098659	23.44%
	80	45.623189	26.658417	15.41%
	81	52.900964	30.962755	16.15%
	82	44.630472	26.234449	−15.27%
	83	35.830832	20.733658	−20.97%
	84	35.396240	20.547177	−0.90%
	85	62.609205	36.657611	78.41%
	86	58.584784	33.884815	−7.56%
	87	34.566361	19.682607	−41.91%
	88	46.200104	27.027277	37.32%
	89	56.139749	33.188406	22.80%
	90	80.315504	48.242988	45.36%
	91	70.784279	38.165356	−20.89%
	92	57.682672	32.052464	−16.02%
	93	85.054483	51.306649	60.07%
	94	68.871909	37.550124	−26.81%
Forecast	95	75.060830	59.303280	57.93%
Forecast	96	79.139756	62.477262	5.35%
Forecast	97	83.536571	65.898607	5.48%

Corporation License Tax
School Equalization Account Receipts



	F Y	Total Collections Millions	SEA Collections Millions	Percent Change
	73	12.057255	3.014314	
	74	15.736161	3.934040	30.51%
	75	22.078581	5.519645	40.30%
	76	23.020112	5.755028	4.26%
	77	24.957239	6.239310	8.41%
	78	29.238770	7.309692	17.16%
	79	36.091654	9.022913	23.44%
	80	45.623189	10.413444	15.41%
	81	52.900964	12.094826	16.15%
	82	44.630472	10.247808	−15.27%
	83	35.830832	8.099084	−20.97%
	84	35.396240	8.026240	−0.90%
	85	62.609205	14.319379	78.41%
	86	58.584784	13.236255	−7.56%
	87	34.566361	7.688518	−41.91%
	88	46.200104	10.557529	37.32%
	89	56.139749	12.964221	22.80%
	90	80.315504	18.844917	45.36%
	91	70.784279	17.841428	−5.32%
	92	57.682672	14.975333	−16.06%
	93	85.054483	18.697338	24.85%
	94	68.871909	16.446589	−12.04%
Forecast	95	75.060830	0.000000	−100.00%
Forecast	96	79.139756	0.000000	
Forecast	97	83.536571	0.000000	

Coal Severance Tax

For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax. Legislation passed by the 1987 Legislature provided for a phase-down of the tax rate to 15 percent by the 1993 biennium as shown in Table 7. The law establishes a lower tax rate for coal with a heating quality of less than 7,000 BTU.

Table 7
Coal Severance Tax Rates

	<7,000 BTU	≥7,000 BTU
FY 88	20%	30%
FY 89	17%	25%
FY 90	17%	25%
FY 91	13%	20%
FY 92 & Beyond	13%	15%

The distribution of the tax has been amended many times since its enactment in 1975. The distribution during the 1995 biennium and thereafter is shown in Table 8.

Table 8
Coal Severance Tax Distribution Table (Percent)

Account Name	Fiscal 1992	Fiscal 1993	Fiscal 1994-1995	Thereafter
Permanent Trust	50.000	50.000	25.000	25.000
Treasure State Endowment	0.000	0.000	25.000	25.000
General Fund	15.390	27.390	15.390	26.790
Public School Equalization	11.400	11.400	11.400	0.000
Highway Reconstruction Trust *	12.000	0.000	12.000	0.000
Long Range Building Program *	0.000	0.000	0.000	12.000
Park Acquisition Trust	0.000	0.000	0.000	1.270
Fish, Wildlife, and Parks	1.267	1.267	1.267	0.000
Arts Trust	0.633	0.364	0.633	0.630
Montana Arts Council	0.000	0.269	0.000	0.000
Renewable Resources Bonds **	0.475	0.475	0.475	0.000
Water Development **	0.475	0.475	0.475	0.950
Local Impact ***	6.650	6.650	6.650	
County Land Planning ***	0.380	0.380	0.380	
Agriculture Act ***	0.760	0.760	0.760	8.360
State Library ***	0.380	0.380	0.380	
Conservation Districts ***	0.190	0.190	0.190	

Action affecting coal severance tax distribution during the 1995 legislative session:
* HB 19 changed the allocation of 12 percent of the coal severance tax revenue from the highway reconstruction trust to the Long-Range Building Program, beginning in fiscal 1996.
** SB 27 abolished the allocation to the renewable resource development bond fund, and allocated this share to the renewable resource loan debt service fund to be used for water development.
*** SB 83 abolished the separate allocation of coal severance tax to these accounts. Beginning in fiscal 1996 an allocation of 8.36 percent will be made to a special revenue account which contains these as sub-accounts. The distribution of severance taxes to each sub-account will be made by the legislature.

During the July 1992 special session, the legislature imposed a "general fund stabilization tax" of 7 percent of the coal severance tax due on production that occurred in fiscal 1993. The total collections from this new tax were deposited to the general fund.

Additional "one-time" general fund collections of approximately $2.9 million occurred in fiscal 1992, when the executive changed from a "modified" to "full" accrual method of accounting.

The 1993 legislature enacted only one measure affecting coal severance tax allocations. Beginning July 1, 1993, House Bill 350 required that no more than 30 percent of coal severance tax revenue deposited in the local impact account be expended for local impact activities associated with coal development. Unexpended balances in the local impact account at the end of each biennium were to be deposited in the school equalization account. These revenues were de-earmarked in SB 83, passed by the 1995 legislature. An estimated $.5 million will be transferred to the general fund during the 1997 biennium.

Coal severance tax revenues are dependent on the contract sales price per ton of coal and the number of tons produced. Since most Montana coal is sold to utilities under long-term contracts, prices are generally increased by inflation indices specified in the contracts. However, with lower demand, competitive prices for other fuels, and a larger portion of coal production being sold on the "spot" market, coal prices are expected to decline slightly during the forecast period. Deductions for federal, state, and tribal royalty payments from the contract sales price have been included in the price forecasts.

Production levels are influenced by the demand for electrical power and the price of other fuels such as oil and natural gas. Based on information from the major coal producers, production is anticipated to decline between calendar years 1995 and 1997.

A dispute involving the state's authority to tax coal mined on Crow Indian land has been resolved in the U.S. Supreme Court in favor of the Crow Indian Tribe. Thus, production on these lands has been excluded from the revenue forecasts.

The 1995 legislature enacted one bill that will change the coal severance tax collections.

House Bill 343 provides an exemption from the state coal severance tax for coal which is used as feedstock in a coal enhancement facility. The new state coal severance tax exemption is available for up to two million tons of coal per year per supplier. Coal enhancement facilities use coal feedstock to produce a solid, liquid or gaseous fuel as the primary product. These facilities thermally or chemically alter the characteristics of the coal by either improving its BTU value per pound or reducing its sulfur concentration by at least 25 percent. HB 343 is effective for coal produced during calendar 1995 and every year thereafter until December 31, 2005. The bill is expected to reduce state severance tax collections by $.264 million in fiscal 1995 and by $1.050 million during the 1997 biennium. The reduction in coal severance tax revenue distributed to the general fund and SEA is expected to be $.071 million in fiscal 1995 and $.281 million during the 1997 biennium.

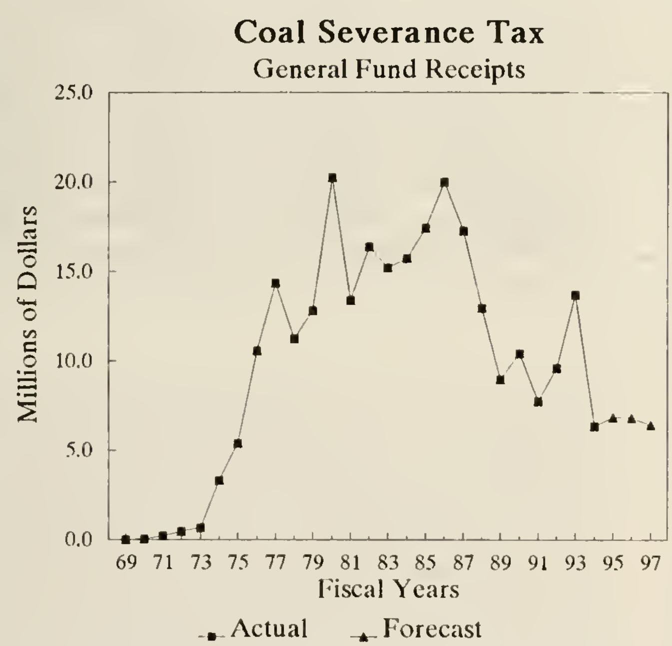
The 1995 legislature also enacted three bills that will change coal severance tax distributions during the 1997 biennium.

Beginning in fiscal 1996, House Bill 19 reallocates 12 percent of annual coal tax revenues currently being deposited into the highway reconstruction trust fund to the long-range building program to pay for debt service associated with new general obligation debt. Because these new debt service payments are not scheduled to be made until fiscal 1997, the inflow into the LRBP account in fiscal 1996 will be transferred to the general fund "if prior to June 30, 1996, there is sufficient money in the account". It is expected that $5.2 million will be available for residual equity transfer from the LRBP account to the general fund in fiscal 1996.

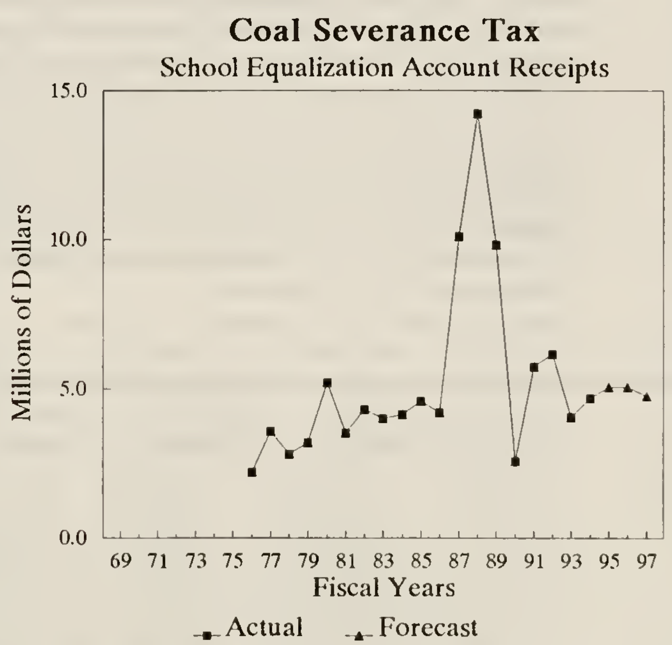
Senate Bill 27 expresses allocations of coal severance tax to various accounts as a percentage of the total severance tax collections. Under current law, the allocation of coal severance tax to the general fund, the school equalization account and the highway reconstruction fund was 62 percent, with the remaining 38 percent allocated to various other accounts. The allocations to these other accounts were expressed as a percent of the remaining 38 percent. SB 27 also abolished the distribution of coal severance tax to the renewable resource development bond fund, and reallocated its share to the renewable resource

loan debt service fund, which is used for water development loans. In addition, SB 27 rounded the allocation of coal severance tax revenue to the park acquisition trust and the arts trust. The allocation to the parks trust was rounded up from 1.267 percent to 1.27 percent, and the allocation to the arts trust was rounded down from .633 percent to .63 percent.

Senate Bill 83 abolishes the separate allocation of coal severance tax to the local impact account, the county land planning account, the conservation district account, the growth through Montana agriculture account, and the allocation to the state library commission. Starting in fiscal 1996, an allocation of 8.36 percent — the sum of the percentages formerly allocated to these accounts — will be made to a single special revenue account. For the 1997 biennium, each purpose will receive the same amount of revenue it would have received in the absence of the change contained in SB 83. In the future, the allocation of coal severance tax revenue among these purposes will be determined by the legislature.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.694213	0.694213	
	74	3.315416	3.315416	377.58%
	75	5.395415	5.395415	62.74%
	76	23.964642	10.586335	96.21%
	77	35.906057	14.362422	35.67%
	78	34.372063	11.241695	−21.73%
	79	42.689164	12.806813	13.92%
	80	75.125009	20.222579	57.90%
	81	70.415073	13.378906	−33.84%
	82	86.186886	16.375541	22.40%
	83	80.045016	15.208581	−7.13%
	84	82.823427	15.736468	3.47%
	85	91.748855	17.432283	10.78%
	86	84.217223	20.001598	14.74%
	87	76.546602	17.290794	−13.55%
	88	84.638333	12.961531	−25.04%
	89	58.565583	8.968746	−30.80%
	90	67.870544	10.445286	16.46%
	91	50.457848	7.765470	−25.66%
	92	54.114107	9.609076	23.74%
	93	38.181298	13.699550	42.57%
	94	41.200704	6.351040	−53.64%
Forecast	95	44.456303	6.841825	7.73%
Forecast	96	44.330044	6.822394	−0.28%
Forecast	97	41.833191	6.438128	−5.63%



	FY	Total Collections Millions	SEA Collections Millions	Percent Change
	73	0.694213		
	74	3.315416		
	75	5.395415		
	76	23.964642	2.203181	
	77	35.906057	3.590606	62.97%
	78	34.372063	2.810392	−21.73%
	79	42.689164	3.201679	13.92%
	80	75.125009	5.210070	62.73%
	81	70.415073	3.520751	−32.42%
	82	86.186886	4.309342	22.40%
	83	80.045016	4.002249	−7.13%
	84	82.823427	4.141172	3.47%
	85	91.748855	4.587443	10.78%
	86	84.217223	4.210861	−8.21%
	87	76.546602	10.104150	139.95%
	88	84.638333	14.215851	40.69%
	89	58.565583	9.836668	−30.80%
	90	67.870544	2.579080	−73.78%
	91	50.457848	5.752193	123.03%
	92	54.114107	6.169008	7.25%
	93	38.181298	4.044872	−34.43%
	94	41.200704	4.695428	16.08%
Forecast	95	44.456304	5.068019	7.94%
Forecast	96	44.330045	5.053625	−0.28%
Forecast	97	41.833191	4.768984	−5.63%

Oil Severance Tax

An oil severance tax is imposed on the production of petroleum and other mineral or crude oil in the state. The tax was first enacted in 1921 and has since undergone several modifications. The tax rate increased from 2.65 to 5 percent on April 1, 1981; to 6 percent on April 1, 1983; and decreased to 5 percent on April 1, 1985. During the July 1992 special session, the legislature imposed a 7 percent surtax on oil severance tax liability for production that occurred during fiscal 1993.

The 1987 legislature enacted several tax incentives designed to increase production. Beginning April 1, 1987, new production was exempt from the tax for the first 24 months of production, as were the first five barrels per day of production from a stripper well. The remaining production from a stripper well was taxed at 3 percent. These tax incentives were in effect until the price of oil exceeded $25 and $30 per barrel. These price levels were reached in August 1990, and the tax incentives were subsequently revoked by executive order.

During the November 1993 special session, the legislature passed Senate Bill 18. SB 18 provides reduced rates for net proceeds taxes, state severance taxes and local government severance taxes (LGST) for incremental production of oil from enhanced recovery projects that begin after December 31, 1993, and before January 1, 2002. In addition, SB 18 provides an 18-month net proceeds tax holiday for new production of oil from horizontally drilled wells or new incremental production from horizontally recompleted wells. Current law already provides a 12-month net proceeds tax holiday for new production from wells drilled after June 30, 1985. SB 18 extends this holiday by 6 months for new production from horizontally drilled wells.

The reduced tax rates for net proceeds taxes, LGST, and state severance taxes apply to incremental oil production during calendar quarters when the weighted average price of oil as reported in the Wall Street Journal for West Texas Intermediate (WTI) crude is less than $30 per barrel. When the price of oil equals or exceeds $30 per barrel, the tax rates will be as under old law. The net proceeds tax holiday for incremental oil is not contingent on oil price triggers.

Oil severance tax revenues are dependent on well-head prices and the number of barrels of oil produced. In the 1991 biennium, world oil prices increased sharply due to the Persian Gulf conflict; however, this price rally was short-lived. Throughout calendar 1992 and 1993, prices stayed at or below $20 per barrel. The forecasts for oil severance tax revenues assume that Montana oil prices will average $14.24, $14.89, and $16.27 per barrel in calendar 1995 through 1997, respectively.

Taxable oil production has declined from 34.6 million barrels produced in calendar 1974 to 16.6 million barrels in calendar 1993. This rate of decline, approximately 4.8 percent, is expected to continue in the 1997 biennium.

From fiscal 1984 through 1987, one-third of oil severance tax receipts retained by the state were allocated to the local government block grant program. Since fiscal 1988, 100 percent of collections retained by the state from this tax source have been deposited in the general fund. The collections from the surtax in effect for fiscal 1993 production were also deposited in the general fund.

Additional "one-time" general fund collections of approximately $4.3 million occurred in fiscal 1992, when the executive changed from a "modified" to "full" accrual method of accounting.

The 1995 legislature enacted comprehensive changes to oil and gas taxation laws.

House Bill 90 exempts the first three barrels a day of stripper oil production from the state severance tax if the average price per barrel of oil received during a calendar quarter is less than $30. The exemption is available only to the working interest; the royalty owner must continue to pay the state severance tax on his/her share for all barrels of oil produced by a stripper well. HB 90 is coordinated with SB 412, the oil and gas tax simplification bill. The reduction in oil severance tax revenue due to HB 90 is expected to be $1.964 million during the 1997 biennium. The bill is effective for oil produced in quarters beginning on or after July 1, 1995.

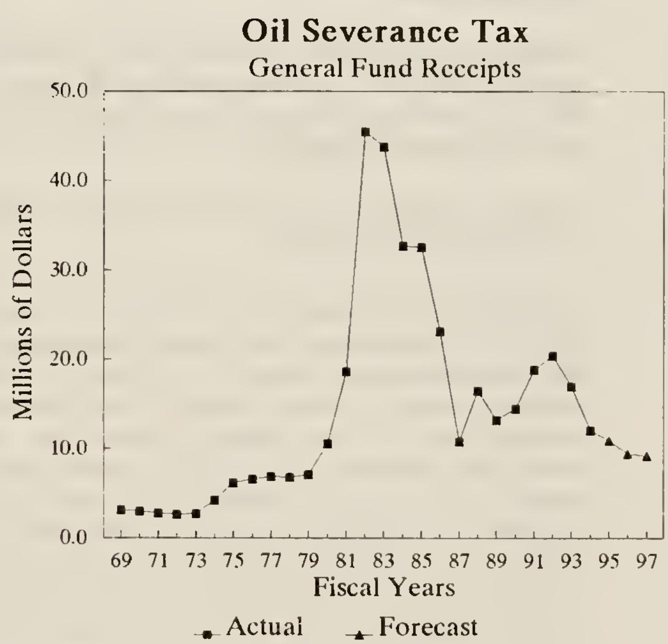
House Bill 418 increases the privilege and license tax on producers of oil and natural gas from 2/10 of one percent to 3/10 of one percent, effective on production

occurring after June 30, 1995. This bill is coordinated with SB 412, the oil and gas tax simplification bill. The increase in this tax is expected to increase revenues by $.61 million during the 1997 biennium, all of which will be deposited in a special revenue account for use by the Board of Oil and Gas Conservation.

Senate Bill 338 exempts oil and gas production from state severance tax for the first 24 months of new production for all wells drilled after March 31, 1995, or from a well that has not been in production during the previous 5 years. This bill is coordinated with SB 412, the oil and gas tax simplification bill. State severance tax revenues will be decreased as a result of SB 338 by $1.264 million during the 1997 biennium.

Senate Bill 412 consolidates tax rates on oil and gas production, and accelerates collection of the share of the consolidated tax rate due to the local government severance tax and the resource indemnity and groundwater assessment (RIGWA) tax. SB 412 consolidates the state severance tax, the local government severance tax, the net proceeds tax, the RIGWA tax, and the privilege and license tax for all oil and gas produced and sold on or after January 1, 1996. As a result of consolidating all oil and gas taxes into a single tax, SB 412 consolidates a number of tax forms currently filed by oil and gas interests into one quarterly form for all state and local taxes. The return and payment would be due 60 days after the end of the quarter of production.

HB 90, HB 418, and SB 338 contain coordination clauses with SB 412. It was the intent of SB 412 to allocate revenue to each taxing jurisdiction in such a way that changes in revenue would be minimized. Revenue reductions due to HB 90 are to be borne by the state general fund. Revenue reductions due to SB 338 are also to be borne by the state general fund for the first two years after enactment. At this time the Department of Revenue has not finalized the formula for the revenue distribution, thus revenue estimates due to the combined effect of these bills are not available.



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	2.692453	2.692453	
	74	4.255716	4.255716	58.06%
	75	6.179984	6.179984	45.22%
	76	6.563569	6.563569	6.21%
	77	6.884010	6.884010	4.88%
	78	6.808100	6.808100	−1.10%
	79	7.056573	7.056573	3.65%
	80	10.544555	10.544555	49.43%
	81	18.654469	18.654469	76.91%
	82	45.473425	45.473425	143.77%
	83	43.787960	43.787960	−3.71%
	84	49.029016	32.686014	−25.35%
	85	48.789983	32.526656	−0.49%
	86	34.728749	23.152504	−28.82%
	87	16.143617	10.762412	−53.52%
	88	16.484059	16.484059	53.16%
	89	13.234516	13.234516	−19.71%
	90	14.551070	14.510149	9.64%
	91	50.590906	18.885901	30.16%
	92	49.755047	20.427115	8.16%
	93	39.561634	17.037621	−16.59%
	94	33.015141	12.092690	−29.02%
Forecast	95	27.729801	10.964437	−9.33%
Forecast	96	23.457544	9.405730	−14.22%
Forecast	97	22.799237	9.223117	−1.94%

Interest on Investments

The Department of Commerce Board of Investments is responsible for investing all state funds. Sections 17-6-201 and 17-6-211, MCA, provide guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund account.

In the early 1980s, interest income was a major source of general fund revenue due to high interest rates and large investable balances. Since 1982, however, interest income has contributed a smaller proportion of total general fund revenues due to lower rates and investable balances.

The sharp decline in revenues in fiscal 1986 was the result of lower interest rates, lower investable balances, and a bill that authorized interest earned on the highway gas tax account to accrue to the highway account. The June 1986 special session amended this legislation to allow earnings from the highway account to accrue to the general fund.

Beginning in fiscal 1991, interest earned on the SEA was retained in that account, rather than being deposited in the general fund.

Starting in fiscal 1993, the interest earned on hunting and fishing license fees was deposited in the state special revenue account and credited to the Department of Fish, Wildlife, and Parks. Under the previous law, the general fund received this interest.

Interest rates declined sharply in the 1993 biennium, reaching the lowest levels in two decades. Low interest rates continued through the remainder of calendar 1993 and then began to rise in response to the moderately robust economy and in response to several increases in short-term rates by the Federal Reserve. In calendar 1994, the Federal Reserve raised the federal funds rate six times for a total of 250 basis points. As a result, both long and short-term interest rates are expected to be much higher in the 1997 biennium than in the 1995 biennium.

Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by ROC incorporate a blend of short and intermediate-term rates. The average blended interest rates adopted by ROC for consideration by the Fifty-fourth Legislature are 4.95, 5.45, and 5.72 percent for fiscal 1995, 1996, and 1997, respectively. Short-term interest rates were as low as 3 percent during calendar 1993.

To ease cashflow problems during the 1993 and 1995 biennia, the state issued tax and revenue anticipation notes (TRANS): $85.0 million in fiscal 1992, $135.6 million in fiscal 1993, and $88.9 million in fiscal 1994. The 1995 legislature adopted TRANS assumptions of $70.1 million for fiscal 1995 through fiscal 1997, which has the effect of increasing the average investable balance.

The 1995 legislature enacted the following legislation that changes the earnings in the TCA.

House Bill 2 authorizes the Department of Revenue to automate functions associated with mail room receipt of tax returns in order to speed collection and recording of tax payments. The mail room is expected to be fully automated by mid fiscal 1996. This automation will result in a small acceleration of revenue within each fiscal year. The earlier receipt of tax payments will result in increased general fund interest earnings amounting to $.105 million during the 1997 biennium.

House Bill 293 revises the state income tax withholding and old fund liability tax (OFLT) laws by providing the option of electronic filing and by aligning the timing for payment of withholding tax and the OFLT with the payment of federal withholding tax. Under the new withholding schedules, any employer with total liability for withholding of $12,000 or more during the preceding lookback period must remit withholding payments in conformity with the employer's payroll period. If the total withholding liability for the lookback period is between $1,200 and $12,000, withholding payments must be made monthly. For withholding liabilities of less than $1,200 for the preceding lookback period, withholding payments must be made annually.

Payment of withholding liabilities to the Department of Revenue will be accelerated for employers with withholding liabilities between $1,200 and $300,000. These payments under current law are made on a quarterly basis, but will be made more often depending on the employers' payroll periods. Payments by employers with less than $1,200 in withholding

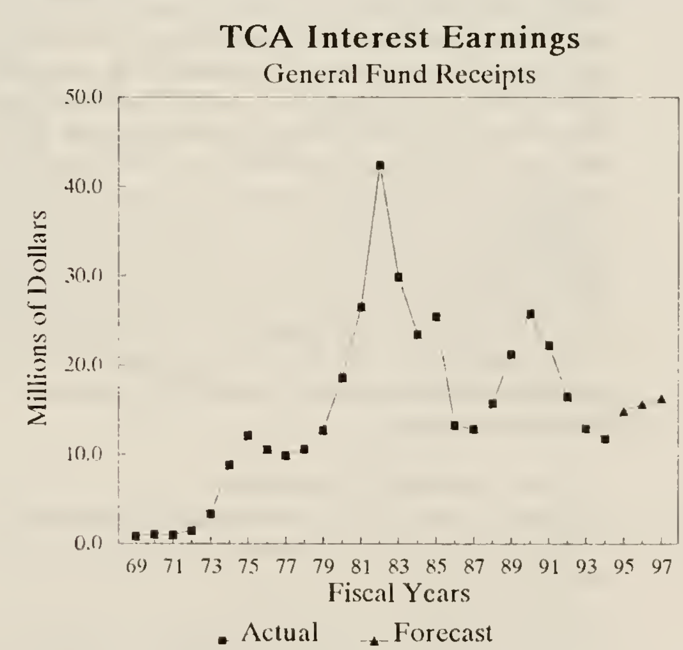
liabilities will be decelerated, as the payments that are made quarterly will instead be made annually. Employers with less than $1,200 in withholding liabilities account for only 2.1 percent of the total withholding liability.

The new withholding schedules will be effective beginning January 1, 1996. Because of the acceleration of withholding receipts, treasury cash interest earnings will increase in fiscal 1996 and fiscal 1997 by $.965 million. Additionally, because the state will have the cash earlier in fiscal year 1997, the amount of Tax Revenue Anticipation Notes (TRANS) sold will be reduced. For each dollar in TRANS, the state is able to earn arbitrage because the interest rates at which the state invests TRANS proceeds exceeds the interest rate it must pay investors in TRANS. A reduction in TRANS will result in $.4 million in reduced arbitrage earnings in fiscal 1997.

Senate Bill 83, which revised laws concerning dedicated revenue and statutory appropriations, changed the method of accounting for revenue formerly deposited in the school equalization account. All sources of revenue deposited to the SEA prior to fiscal 1996 will be deposited in the general fund as of fiscal 1996.

Senate Bill 86 allows fuel distributors to pay fuel tax by means of electronic funds transfers. Earlier receipt of fuel taxes in the highway account will increase the balance available for investment in the treasury cash account and therefore will increase TCA earnings deposited in the general fund. It is expected the general fund interest earnings will increase by $22,000 during the 1997 biennium.

Senate Bill 357 increases benefits to participants in the firefighters' unified retirement system (FURS), and increases the State's contribution to FURS. The state's contribution will increase by $.244 million during the 1997 biennium, which will result in reduced TCA interest earnings of approximately $8,000.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	3.391643	3.391643	
	74	8.884671	8.884671	161.96%
	75	12.150937	12.150937	36.76%
	76	10.607372	10.607372	−12.70%
	77	9.891246	9.891246	−6.75%
	78	10.663504	10.663504	7.81%
	79	12.714971	12.714971	19.24%
	80	18.633664	18.633664	46.55%
	81	26.566775	26.566775	42.57%
	82	42.442554	42.442554	59.76%
	83	29.918421	29.918421	−29.51%
	84	23.527514	23.527514	−21.36%
	85	25.527889	25.527889	8.50%
	86	13.285291	13.285291	−47.96%
	87	12.826674	12.826674	−3.45%
	88	15.731943	15.731943	22.65%
	89	21.313825	21.313825	35.48%
	90	25.869827	25.869827	21.38%
	91	22.306533	22.306533	−13.77%
	92	16.494468	16.494468	−26.06%
	93	12.916816	12.916816	−21.69%
	94	11.776420	11.776420	−8.83%
Forecast	95	14.884421	14.884421	26.39%
Forecast	96	15.633105	15.633105	5.03%
Forecast	97	16.309906	16.309906	4.33%

Long-Range Bond Excess

Each biennium all agencies are requested to submit proposals for capital projects to be funded from the sale of long-range building bonds. If the legislature authorizes the sale, the principal and interest obligations are paid from the long-range building debt service account. Revenues deposited to this account include portions of the individual income tax and corporation license tax and cigarette and tobacco taxes. When the amount of money in the debt service account exceeds the annual principal and interest payments, the excess is transferred to the general fund.

Historically, revenues from this source were estimated by adding anticipated receipts from the earmarked tax sources and subtracting the necessary principal and interest payments. In fiscal 1984, however, the Department of Administration (DOA) began transferring all debt service revenues to the general fund. A general fund statutory appropriation was established to transfer the necessary principal and interest payments back to the debt service account. These accounting transactions had zero impact on the general fund account balance. It is assumed that DOA will continue these accounting procedures throughout the forecast period.

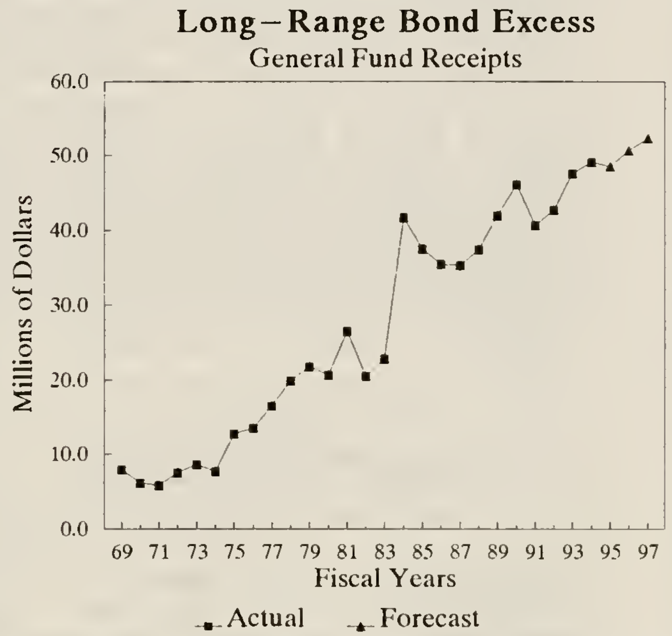
The 1993 legislature enacted House Bill 46, affecting the distribution of cigarette tax revenues. Beginning in fiscal 1994, HB 46 reserves a percentage of the cigarette tax for the operation and maintenance of state veterans' nursing homes. The amount reserved reduces the amount of cigarette tax distributed to the long-range building program for capital projects. Although the statute required a minor change in distribution effective in August 1993, this change will have minimal impact to the general fund and debt service accounts for the 1995 biennium and beyond. The distribution of cigarette tax under HB 46 is shown in Table 9.

Table 9
Cigarette Tax Distribution

	Effective July 1, 1993	Effective August 15, 1993
Veterans' Homes	10.38%	11.11%
Capital Projects	16.82%	18.00%
Debt Service	72.80%	70.89%

The 1995 legislature passed HB 199, HB 202, HB 209, HB 293, HB 497, HB 560, and SB 358, which will affect income tax revenues and corporation license tax revenues, which in turn affect long-range bond excess revenues. As a result of these bills, revenues are expected to decline by $791,000 during the 1997 biennium.

REVENUE ESTIMATES



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	8.685000	8.685000	
	74	7.717204	7.717204	−11.14%
	75	12.787314	12.787314	65.70%
	76	13.512425	13.512425	5.67%
	77	16.589012	16.589012	22.77%
	78	19.900000	19.900000	19.96%
	79	21.800000	21.800000	9.55%
	80	20.700000	20.700000	−5.05%
	81	26.500000	26.500000	28.02%
	82	20.450000	20.450000	−22.83%
	83	22.797971	22.797971	11.48%
	84	41.682643	41.682643	82.83%
	85	37.535668	37.535668	−9.95%
	86	35.487786	35.487786	−5.46%
	87	35.312990	35.312990	−0.49%
	88	37.461464	37.461464	6.08%
	89	41.984807	41.984807	12.07%
	90	46.168712	46.168712	9.97%
	91	40.713103	40.713103	−11.82%
	92	42.734109	42.734109	4.96%
	93	47.644481	47.644481	11.49%
	94	49.214565	49.214565	3.30%
Forecast	95	48.611540	48.611540	−1.23%
Forecast	96	50.696265	50.696265	4.29%
Forecast	97	52.332709	52.332709	3.23%

Coal Trust Fund Interest

Article IX, section 5 of the Montana Constitution requires that 50 percent of all coal severance tax revenue be deposited in a permanent coal tax trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". By statute, interest earned on this trust not earmarked to other programs, is distributed 85 percent to the general fund and 15 percent to the SEA.

Table 10 details the distribution in recent years of that portion of the interest earned on the permanent coal tax trust fund that is not earmarked for other programs.

Table 10
Distribution of Coal Trust Fund Interest Percentages

Fiscal Year	General Fund	Permanent Trust	School Equalization
1984-86	85.0	15.0	0.0
1987	100.0	0.0	0.0
1988-89	98.0	2.0	0.0
1990	100.0 *	0.0	0.0
1991-95	85.0	0.0	15.0
1996 and Beyond	100.0	0.0	0.0

* Minus $2.0 million of interest appropriated for medical research facilities.

The interest earned on the permanent coal tax trust fund is an important general fund revenue source. During the period fiscal 1981 through fiscal 1993, $433.2 million in interest from this trust was deposited in the general fund. In fiscal 1994, permanent coal tax trust fund interest provided 8.7 percent of total revenue to the general fund.

Initiative 95, approved by voters in 1982, required that 25 percent of the revenue deposited in the permanent coal tax trust fund after June 30, 1983, be placed in the in-state investment trust fund for investment in the Montana economy "with special emphasis on investments in new or expanding locally owned enterprises". The 1991 legislature: 1) eliminated separate accounting for the in-state investment trust; and 2) instructed the Board of Investments to "endeavor to invest up to 25% of the permanent coal tax trust fund" in the Montana economy.

The 1989 and 1991 legislatures authorized the Montana Science and Technology Alliance (MSTA) use of $12.6 million from the in-state investment fund for investment in new and expanding technology-based Montana businesses and for research and development project loans. The 1993 legislature authorized MSTA to invest an additional $11.0 million from the in-state investment program. As of November 1994, $15 million had been committed for loans to Montana businesses. A portion of the uncommitted funds for research must return to the trust at the end of fiscal 1995, and the uncommitted portion for seed capital must return to the trust at the end of fiscal 1997.

The payback of principal from MSTA loans returns to the trust. Before July 1, 1993, the interest from MSTA loans was distributed in the same manner as other interest earned on the permanent coal tax trust fund. House Bill 394, enacted by the 1993 legislature, created a special revenue account into which all interest earned from MSTA loans is deposited and from which MSTA expenses will be paid, with the balance returning to the trust.

Coal tax revenue flowing into the permanent coal tax trust fund is also used to secure state bonds issued to finance water resource development projects and activities. Since 1981 when the legislature authorized this bonding program, $86.6 million in water development projects throughout the state have been authorized with revenue from these bonds.

During the 1991 regular session, the legislature created the clean coal technology demonstration fund within the permanent coal tax trust fund and authorized the transfer of $25 million from the permanent coal tax trust fund into this subfund. The 1991 legislature also required an additional $5 million of coal tax revenue allocated to the trust be deposited in this subfund in fiscal 1992 through fiscal 1997. The corresponding legislation allowed this portion of the trust fund to be invested in loans for clean coal technology projects approved by the legislature. The 1991 legislature approved the installation of MHD Development Corporation technology at the Corette power plant in Billings as the first clean coal technology project, making it eligible for future loans.

technology project, making it eligible for future loans. In May 1993, however, the U.S. Department of Energy (DOE) declined to loan MHD Development Corporation any amount of money for the project. As a result, the state loan to MHD will not be made during the 1995 biennium.

The 1991 legislature also appropriated $3.25 million from the permanent coal tax trust fund for the Microbusiness Development Act. These funds provided capital to microbusiness development corporations that provide loans and technical assistance to qualified small businesses. Interest earnings and loan repayments are retained by the program to finance administrative costs and future loans.

During the January 1992 special session, the legislature authorized the creation of a school bond contingency loan fund within the permanent coal tax trust fund. The contingency fund provided up to $25 million in loan guarantees for school district bonds certified by the Department of Administration as meeting certification standards, but for which subsequent litigation prevents collection of property taxes levied for debt service. School districts are required to repay any guarantee funds used. Interest on the contingency fund is distributed in the same manner as other interest earned on the permanent coal tax trust fund. This legislation expired on January 1, 1993. House Bill 667, passed during the 1993 legislative session, provides Guaranteed Tax Base (GTB) aid to certain schools with bonds outstanding or bond issues contemplated. The source of funding for GTB aid is the school equalization account.

The contingency fund provided backing for $23.4 million in school bonds for 14 schools. The average balance in the contingency fund has been slightly more than $2 million. The contingency fund will continue to exist for the next 20 years until these bonds are retired.

Passed during the November 1993 special session, Senate Bill 4 mandated the cash balance in the coal tax bond fund as of July 1, 1993 be deposited in the permanent coal tax trust fund. The total amount transferred was $31.1 million. In addition, any balance in the clean coal technology demonstration fund was authorized to be transferred to the permanent coal tax trust fund. SB 4 also changed the mechanism for distributing severance tax receipts by requiring the 50 percent coal severance tax revenue allocation to the permanent trust be equally divided between the trust and the treasure state endowment fund (TSEF).

In the June 1992 election, voters approved a referendum to create the treasure state endowment fund (TSEF) within the permanent coal tax trust fund. The fund received a $10 million loan from the trust principal in fiscal 1994 and will receive half the funds deposited in the trust during fiscal 1994 through fiscal 2013. Interest earned on the TSEF will be used to finance local infrastructure projects, as prioritized by the departments of Commerce and Natural Resources and Conservation and authorized by the legislature.

Prior to the passage of SB 4, coal severance tax revenue earned on production taking place beginning July 1, 1993, was to be deposited in the TSEF. In the following fiscal year, one-half of the previous year's inflow was to be deposited in the permanent coal tax trust fund and the TSEF would retain the rest. As a result, the permanent coal tax trust fund would not have received any of the coal severance tax revenue received by the state during fiscal 1994, had the law not changed.

The 1993 legislature also enacted several measures impacting permanent coal tax trust fund interest.

House Bill 394 extended the authority of the MSTA to loan money from the permanent coal tax trust fund for research and development projects until the end of fiscal 1995 and for seed capital projects until the end of fiscal 1997. The bill also increased the amount of permanent coal tax trust fund principal available during the renewed period for research and development project loans to $8.1 million and for seed capital project loans to $15.5 million. Payback of loans are deposited in a special revenue account to offset costs of administration by MSTA, after which the payback must be deposited in the permanent coal tax trust fund. As of the end of January, 1995, $12.4 million had been loaned to Montana businesses.

House Bill 401 authorized a loan to the Department of Health and Environmental Sciences from the permanent coal severance tax trust for technical, litigation, and administrative expenses associated with the natural resource damage suit against the Atlantic Richfield Company in the Clark Fork River Basin. The

amount of the loan is $2,619,076 for the 1995 biennium and $5,174,984 to repay principal and interest to the general fund for litigation costs incurred in the 1993 biennium. As of December, 1994, $6.3 million had been withdrawn from the permanent coal tax trust to pay for litigation expenses.

To date, interest lost to the general fund and the SEA is over $.5 million. Interest earnings losses will continue, until the case is settled.

As a result of increases in short-term interest rates, long-term rates on bonds have also risen during calendar 1994. Increases in interest rates are expected to moderate but still remain high. Thus, long-term interest rates considered in projecting investment earnings on the coal trust are expected to average 7.86, 8.00, and 7.90 percent in fiscal years 1995 through 1997, respectively.

The coal trust interest revenue estimates also include adjustments for bond call income. During fiscal 1993 when interest rates were low, bond calls totalled $9.3 million. In fiscal 1994, as interest rates rose, bond calls dropped to $4.5 million. Bond calls are expected to decline further to $2.2 million in fiscal 1995, $1.1 million in fiscal 1996, and $0.6 million in fiscal 1997.

The 1995 legislature enacted several measures which will impact coal trust interest revenues.

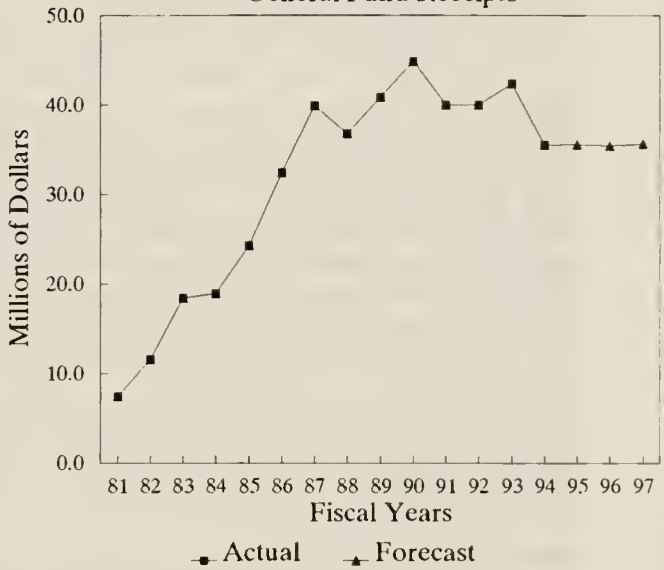
House Bill 305 authorizes a loan to the Department of Justice from the permanent coal tax trust for the purpose of conducting the litigation and natural resource claim against the Atlantic Richfield Company in the Clark Fork River Basin. The amount of the loan is $2,359,857 for the 1997 biennium. The bill also extends loans made for the same purpose during the 1995 biennium. As of May 18, 1995 $7.3 million had been withdrawn from the permanent coal tax trust to pay litigation expenses. HB 305 will reduce interest earnings from the coal tax trust deposited in the general fund by $.195 million during the 1997 biennium.

House Bill 354 expands appropriations for the Microbusiness Financing Act which provides loans to businesses employing less than ten employees and generating less than $500,000 in gross revenue annually. The expansion of this program doubles the current appropriation to $3.25 million of investable coal tax trust funds made available to the Microbusiness Finance Program in the Department of Commerce. Beginning July 1, 1995, HB 354 also increases maximum loan amounts per individual loan from $20,000 to $35,000. The program provides financing for working capital assets and fixed asset acquisition with more flexible repayment terms than those offered by commercial institutions. Payback of interest and principal of the loan amounts will be used for administrative purposes and for financing new microbusiness loans. The reduction in coal tax trust principal as a result of this bill will result in reduced interest earnings to the general fund in the amount of $.153 million during the 1997 biennium.

Senate Bill 38 authorizes the job investment act under which the Department of Commerce may loan a portion of the permanent coal tax trust to businesses to create and retain jobs in Montana. A loan to a qualified business may not exceed $500,000 and the department is to report annually to the Revenue Oversight Committee. The legislation also reduced the amount of permanent coal tax trust funds that the Board of Investments allows the Montana Board of Science and Technology Development to invest in seed capital loans and mezzanine loans from $15.5 million to $12.5 million. The bill also increased the amount of permanent coal tax trust funds available for research and development projects from $8.1 million to $11.1 million. In the past these funds were used primarily as loans to the University system. Under SB 38, these funds will be granted to the university system for research and development projects. The reduction in coal tax trust principle as a result of the bill will result in reduced interest earnings to the general fund in the amount of $.114 million during the 1997 biennium.

Coal Trust Fund Interest

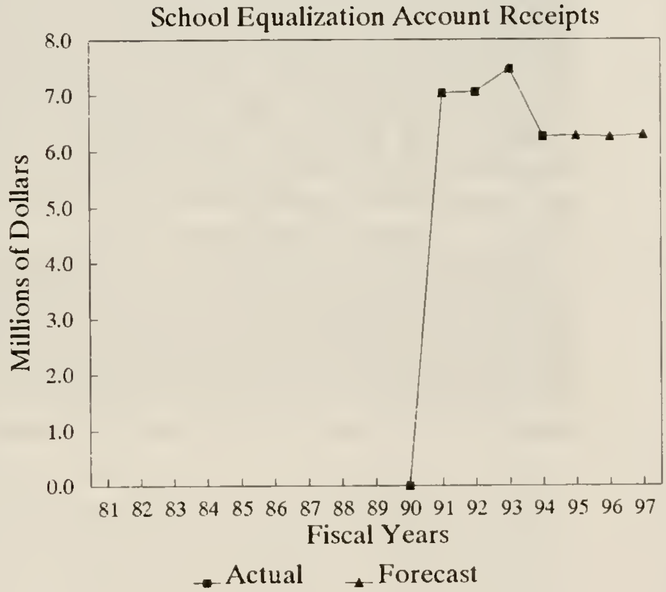
General Fund Receipts



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80			
	81	7.421901	7.421901	
	82	11.542421	11.542421	55.52%
	83	18.466762	18.466762	59.99%
	84	22.291337	18.947636	2.60%
	85	28.672038	24.299902	28.25%
	86	38.168226	32.443208	33.51%
	87	39.924866	39.924866	23.06%
	88	37.692796	36.754944	−7.94%
	89	41.456920	40.806026	11.02%
	90	45.671428	44.830283	9.86%
	91	46.999390	39.961903	−10.86%
	92	47.595927	40.009735	0.12%
	93	51.247658	42.319734	5.77%
	94	41.725015	35.466465	−16.19%
Forecast	95	41.806569	35.535584	0.19%
Forecast	96	41.662757	35.413343	−0.34%
Forecast	97	41.891236	35.607551	0.55%

Permanent Coal Tax Trust

School Equalization Account Receipts



	F Y	Total Collections Millions	SEA Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80			
	81	7.421901	0.000000	
	82	11.542421	0.000000	
	83	18.466762	0.000000	
	84	22.291337	0.000000	
	85	28.672038	0.000000	
	86	38.168226	0.000000	
	87	39.924866	0.000000	
	88	37.692796	0.000000	
	89	41.456920	0.000000	
	90	45.671428	0.000000	
	91	46.999390	7.037487	
	92	47.595927	7.060262	0.32%
	93	51.247658	7.467924	5.77%
	94	41.725015	6.258550	−16.19%
Forecast	95	41.806569	6.270985	0.20%
Forecast	96	41.662757	6.249414	−0.34%
Forecast	97	41.891236	6.283685	0.55%

Insurance Premiums Tax

The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. The tax was first enacted in 1897 and has been amended several times since then. The current tax rate is 2.75 percent of net premiums on policies sold in Montana. Receipts from the tax are distributed to the police and firemen pension funds, with the remainder going to the general fund. In addition to the premiums tax, the State Auditor collects a number of insurance license and fee revenues, which are also deposited in the general fund.

During the July 1992 special session, the legislature imposed a 7 percent surtax on insurance premium tax liability for the period September 1992 through August 1993. The collections from this surtax were deposited in the general fund.

Bills passed during the 1985 and 1989 sessions increased the state contribution to police and firemens' pension funds, reducing the amount of insurance tax deposited in the general fund.

The 1987 legislature accelerated insurance premium payments from an annual to a quarterly reporting period. An additional $11.9 million was deposited in the general fund in fiscal 1988 as a result of this acceleration.

Collections from this revenue source are expected to increase in fiscal 1995 through fiscal 1997, primarily due to reductions in credits claimed due to the insolvency of the Life of Montana Insurance Company and other companies. Under current law, all insurers are assessed a portion of the insolvency of defaulting insurance companies. Insurers can then claim a credit on their premium tax return equal to 20 percent of the assessment over a five-year period. This credit reduces general fund revenues. In early 1988, Life of Montana was declared to have an insolvency of approximately $36 million. Insurers began claiming credits for their portion of the assessment in fiscal 1990 and are anticipated to continue claiming credits through fiscal 1998. The total cost to the general fund over the eight-year period will be approximately $36 million.

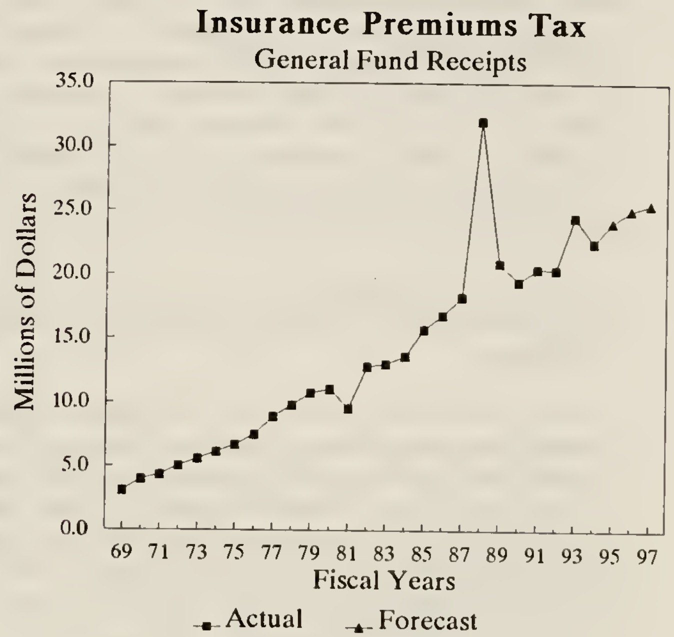
The 1993 legislature enacted House Bill 428 which provided continued funding for the voluntary statewide genetics program in the Department of Health and Environmental Sciences. HB 428 extended the 70-cent annual fee paid for each Montanan insured as of February 1 of each year under any individual or group disability or health insurance policy. This legislation was expected to increase general fund revenue by an estimated $1.09 million during the 1995 biennium.

During the 1995 legislative session, several measures were enacted that will change insurance premium tax collections.

House Bill 533 allows for the portability of health benefit insurance plans, creates a low-cost health benefit plan, and caps the premium rates on certain conversion policies. Effective January 1, 1996, the act will lead to the sale of increased health benefit policies and increased collections of the insurance premiums tax. The general fund receipts from this source will increase by $70,000 during the 1997 biennium.

Senate Bill 341 expands health benefits covered by the Montana Comprehensive Health Association plan for people with high risk health characteristics who are not eligible for standard health insurance plans. The expansion in benefits will be covered by an assessment against insurers providing health insurance in the state of Montana. Insurance premium revenue will decline because all non-Blue Cross/Blue Shield insurers may offset assessments against the insurance premium tax in the following year. The assessment that will be made in fiscal 1996 will reduce fiscal 1997 insurance premium revenues by $.474 million.

Senate Bill 357 increases benefits to participants in the firefighters' unified retirement system (FURS), and increases the State's contribution to FURS. The state's contribution will increase by $.244 million during the 1997 biennium, which will result in reduced TCA interest earnings of approximately $8,000.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	6.812473	5.612473	
	74	7.366923	6.166923	9.88%
	75	8.323217	6.723217	9.02%
	76	9.483281	7.496699	11.50%
	77	11.239651	8.885923	18.53%
	78	12.656322	9.787436	10.15%
	79	14.367308	10.748226	9.82%
	80	15.177033	11.031794	2.64%
	81	15.967069	9.551061	−13.42%
	82	16.754178	12.790003	33.91%
	83	17.725218	13.011479	1.73%
	84	19.517173	13.621332	4.69%
	85	20.797571	15.691565	15.20%
	86	23.759335	16.780399	6.94%
	87	25.299537	18.245085	8.73%
	88	39.564932	32.047077	75.65%
	89	28.085448	20.882814	−34.84%
	90	26.071073	19.446368	−6.88%
	91	27.141328	20.438058	5.10%
	92	27.293520	20.387391	−0.25%
	93	30.998391	24.463587	19.99%
	94	31.316123	22.510848	−7.98%
Forecast	95	33.971677	24.086622	7.00%
Forecast	96	35.940667	25.030332	3.92%
Forecast	97	37.019158	25.468534	1.75%

Public Institution Reimbursements

The Department of Corrections and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center, the Center for the Aged, Montana State Hospital, and the Montana Veterans' Home. There are four sources of reimbursement income: 1) state and federally matched medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal medicare funds.

All revenue collected from these sources is deposited in the general fund, except reimbursements received for the Veterans' Home, which are appropriated to the institution. Most of the reimbursements come from federal medicaid payments.

Three variables determine the level of medicaid nursing home payments: 1) the number of patient days eligible for medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of medicaid patients.

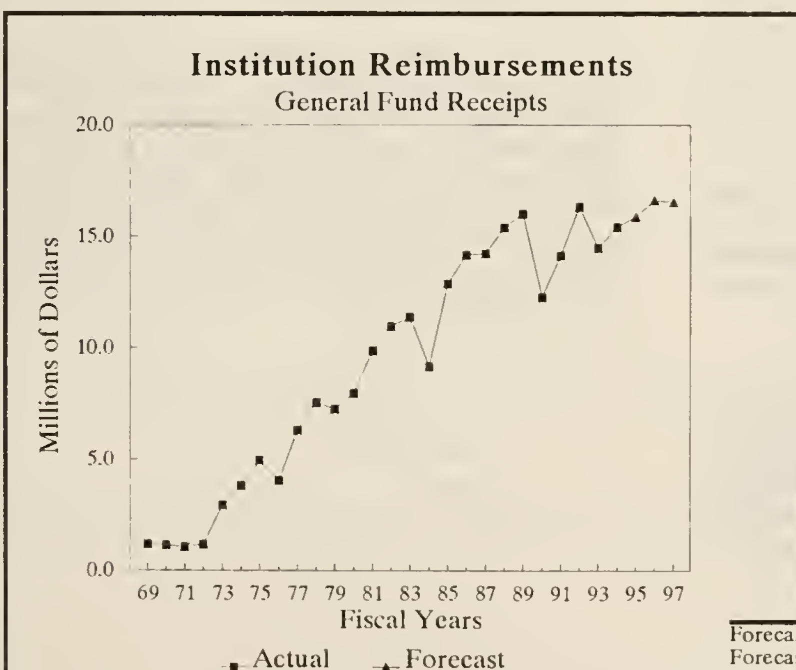
Prior to fiscal 1990, the state's general fund match to federal medicaid payments was included in the Department of Social and Rehabilitation Services budget and was received (with the federal portion) as revenue by eligible state institutions. Beginning in the 1991 biennium, the state's general fund match was determined from the documented general fund costs of caring for medicaid residents. This change in budgeting procedures reduced reimbursements to the general fund by approximately $4.0 million annually, but also reduced general fund costs by a like amount.

The other three components of reimbursement (insurance proceeds, payments by residents, and medicare funds) are expected to increase by the rate of inflation.

Total collections from this source are anticipated to increase during the 1997 biennium based on increased medicaid eligible costs at state institutions.

The 1993 legislature enacted House Bill 685, which eliminated licensed acute hospital care and intermediate nursing care at Galen. This was expected to reduce medicaid reimbursement payments to the general fund by an estimated $1.41 million during the 1995 biennium.

Passed by the 1995 legislature, Senate Bill 236 provides restrictions on Medicaid eligibility and requires recovery of Medicaid expenditures for long-term care through liens on estates and property. The additional recoveries will generate additional federal public institutional reimbursements in the amount of $.368 million in the general fund during the 1997 biennium.



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	2.945826	2.945826	
	74	3.838150	3.838150	30.29%
	75	4.964138	4.964138	29.34%
	76	4.054219	4.054219	−18.33%
	77	6.324501	6.324501	56.00%
	78	7.532377	7.532377	19.10%
	79	7.264924	7.264924	−3.55%
	80	7.981975	7.981975	9.87%
	81	9.899562	9.899562	24.02%
	82	10.974196	10.974196	10.86%
	83	11.406505	11.406505	3.94%
	84	9.179921	9.179921	−19.52%
	85	12.895427	12.895427	40.47%
	86	14.166104	14.166104	9.85%
	87	14.215767	14.215767	0.35%
	88	15.395310	15.395310	8.30%
	89	16.031423	16.031423	4.13%
	90	12.284668	12.284668	−23.37%
	91	14.140931	14.140931	15.11%
	92	16.329459	16.329459	15.48%
	93	14.486422	14.486422	−11.29%
	94	15.414542	15.414542	6.41%
Forecast	95	15.880707	15.880707	3.02%
Forecast	96	16.630958	16.630958	4.72%
Forecast	97	16.545322	16.545322	−0.51%

Liquor Profits and Taxes

The Department of Revenue is authorized to sell liquor and wines to the public and retail liquor establishments throughout the state. These sales result in profits and taxes which are deposited in various state and local accounts.

Prices established by the department include a standard mark-up, a 16 percent excise tax, and a 10 percent license tax. The excise tax is deposited in the general fund. The license tax is distributed to the Department of Corrections and Human Services and to cities, towns, and counties for alcohol treatment and rehabilitation programs.

Liquor sales for fiscal 1995 through 1997 are expected to remain stable. This is a change in the trends observed during the late 1980s when liquor consumption was down. Even with an aging population, more emphasis on drug and alcohol education in our schools, and the increased enforcement of DUI laws, liquor consumption is not expected to change significantly during the forecast period.

The deficit reduction package passed by Congress in November 1990 increased the federal tax on alcohol by 8 percent. Since Montana's liquor mark-up is applied to the price of the liquor including the federal tax, this change increased Montana's total liquor sales revenues, translating into larger profits and higher excise taxes. The 1997 biennium forecasts for liquor profits and excise taxes assume no further changes in federal laws.

Operating expenses of the Department of Revenue Liquor Division affect the transfer of liquor profits to the general fund. It is estimated that these expenses will decrease from the fiscal 1994 level of $7.1 million to $6.4 million in fiscal 1997.

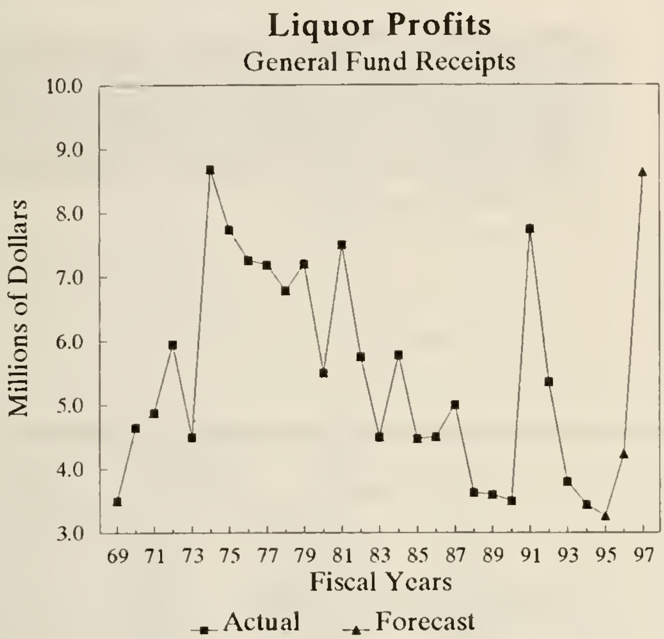
Liquor profits are expected to increase in fiscal years 1996 and 1997 based on a recommendation by the Legislative Auditor that certain costs for investigations and licensing be incurred by the general fund instead of the liquor proprietary account. The net effect on the general fund will be zero since increased liquor profits will be offset by increased costs to the general fund.

The increased profits in fiscal years 1984, 1987, 1991, and 1992 are attributable to a reduction in the inventory of goods of the liquor division. In fiscal 1990, the department began a "bailment" program, in which private vendors own the liquor and wine stocked in the state warehouse. The product becomes state property once it is loaded on a truck for shipment to a store, and the department pays vendors for product purchases every three weeks. Previously, the department purchased stock from liquor vendors and then stored it in the warehouse. This change resulted in a transfer of $3.75 million in one-time revenue to the general fund in fiscal 1991.

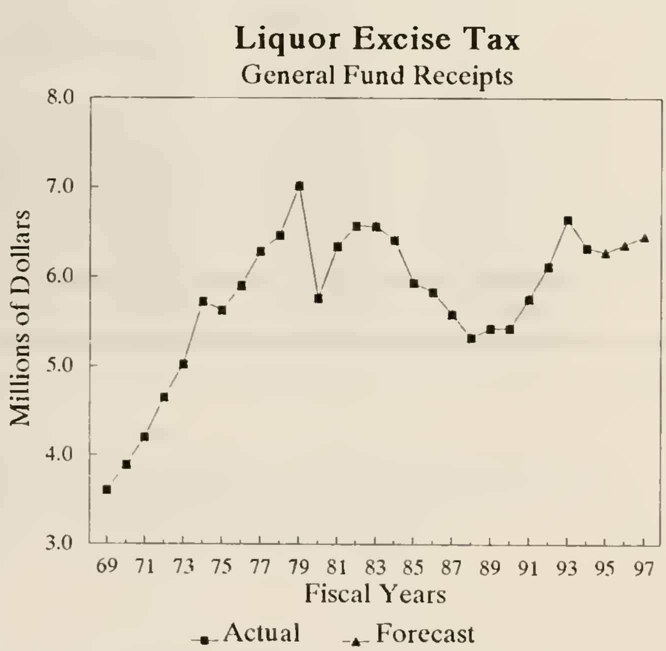
During the July 1992 special session, the legislature imposed a 7 percent surtax on liquor excise taxes for the period September 1992 through August 1993. The revenue collected from this surtax was deposited to the general fund.

The 1993 legislature passed House Bill 609 which transferred the investigative functions related to alcoholic beverage licensing and enforcement, tobacco, and public assistance from the Department of Revenue to the Gambling Control Division of the Department of Justice. The bill also appropriated $215,000 from the liquor enterprise fund to the Department of Justice for costs associated with the transfer. This appropriation reduced the amount remaining in the liquor enterprise fund that is ultimately deposited in the general fund.

The 1995 legislature passed House Bill 574 which revises the laws regarding the sale of liquor by providing for the conversion of employee-operated state liquor stores to agency liquor stores, and selling the liquor inventory owned by the state. The value of liquor in inventory, valued at $5.537 million, less the costs for terminating employees results in a net one-time revenue increase to the general fund of $4.355 million in fiscal 1997.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	7.704053	4.500000	
	74	7.274480	8.675600	92.79%
	75	7.521853	7.738305	−10.80%
	76	7.104050	7.260551	−6.17%
	77	7.314754	7.189862	−0.97%
	78	7.576469	6.778951	−5.72%
	79	7.788463	7.200000	6.21%
	80	6.025915	5.500887	−23.60%
	81	6.028851	7.499113	36.33%
	82	5.681187	5.750000	−23.32%
	83	5.010213	4.500000	−21.74%
	84	5.408943	5.782000	28.49%
	85	4.340660	4.466000	−22.76%
	86	4.408188	4.500000	0.76%
	87	3.863635	5.000000	11.11%
	88	3.785922	3.633000	−27.34%
	89	3.789483	3.600000	−0.91%
	90	4.162346	3.500000	−2.78%
	91	4.002685	7.750000	121.43%
	92	4.066057	5.363000	−30.80%
	93	4.035715	3.800000	−29.14%
	94	3.717344	3.437523	−9.54%
Forecast	95	3.260935	3.260935	−5.14%
Forecast	96	4.235170	4.235170	29.88%
Forecast	97	8.625636	8.625636	103.67%



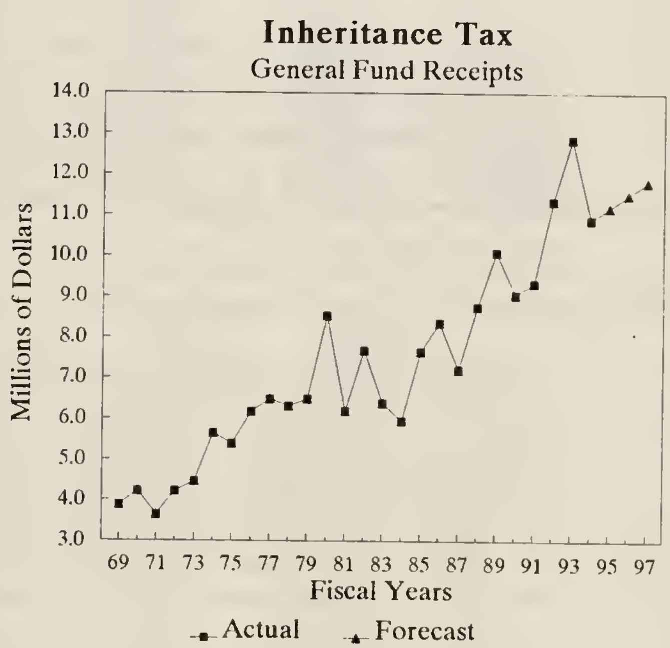
	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	6.285037	5.022561	
	74	7.054522	5.730242	14.09%
	75	7.383326	5.625391	−1.83%
	76	7.744188	5.900333	4.89%
	77	8.251359	6.286748	6.55%
	78	10.528892	6.459007	2.74%
	79	11.406432	7.022237	8.72%
	80	9.367704	5.764741	−17.91%
	81	10.300261	6.340958	10.00%
	82	10.675236	6.572066	3.64%
	83	10.655421	6.559727	−0.19%
	84	10.422641	6.415784	−2.19%
	85	9.642852	5.935058	−7.49%
	86	9.482576	5.836884	−1.65%
	87	9.079530	5.589174	−4.24%
	88	8.646707	5.322934	−4.76%
	89	8.819075	5.429220	2.00%
	90	8.814424	5.428076	−0.02%
	91	9.361042	5.759437	6.10%
	92	9.946010	6.122351	6.30%
	93	10.571520	6.645090	8.54%
	94	10.254498	6.323863	−4.83%
Forecast	95	10.197582	6.275435	−0.77%
Forecast	96	10.334631	6.359773	1.34%
Forecast	97	10.485010	6.452314	1.46%

Inheritance Tax

The inheritance tax is imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse or governmental or charitable organization. The tax rate varies from 0 to 32 percent depending on the size of the estate and the relationship of the decedent to the beneficiary.

All revenue collected from the inheritance tax is deposited in the general fund.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, accounting procedures, and the processing of several large estates. The forecasts for fiscal 1995 through 1997 assume that collections will be slightly more than $11.0 million per year.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	4.457188	4.457188	
	74	5.659992	5.659992	26.99%
	75	5.395236	5.395236	-4.68%
	76	6.180106	6.180106	14.55%
	77	6.483191	6.483191	4.90%
	78	6.312432	6.312432	-2.63%
	79	6.490196	6.490196	2.82%
	80	8.537242	8.537242	31.54%
	81	6.195069	6.195069	-27.43%
	82	7.680529	7.680529	23.98%
	83	6.398489	6.398489	-16.69%
	84	5.960471	5.960471	-6.85%
	85	7.656622	7.656622	28.46%
	86	8.364764	8.364764	9.25%
	87	7.212092	7.212092	-13.78%
	88	8.745457.	8.745457	21.26%
	89	10.091548	10.091548	15.39%
	90	9.049129	9.049129	-10.33%
	91	9.339854	9.339854	3.21%
	92	11.338204	11.338204	21.40%
	93	12.869460	12.869460	13.51%
	94	10.885745	10.885745	-15.41%
Forecast	95	11.175777	11.175777	2.66%
Forecast	96	11.500278	11.500278	2.90%
Forecast	97	11.804044	11.804044	2.64%

Metal Mines Tax

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced.

For tax years beginning after December 31, 1988, the tax rate is as follows:

For concentrates shipped to a smelter, mill, or reduction work:

Gross Value	Rate
\$0-\$250,000	Exempt
\$250,001 and Above	1.8%

For gold, silver, or any platinum group metal that is dore, bullion, or matte and that is shipped to a refinery:

Gross Value	Rate
\$0-\$250,000	Exempt
\$250,001 and Above	1.6%

Historically, the metal mines tax has been deposited in the general fund. Beginning in fiscal 1986, however, one-third of the receipts were deposited in a hard-rock mining trust account. The distribution of collections for tax years beginning after December 31, 1988 was: 1) 58 percent to the general fund; 2) 1.5 percent to the hard-rock mining impact trust account; 3) 15.5 percent to the resource indemnity tax trust fund; and 4) 25 percent to the county in which the mine is located.

During the July 1992 special session, the legislature imposed a 7 percent surtax on all production during calendar 1992. The collections from this surtax were allocated 100 percent to the general fund.

Metal prices, metal production, and the effective tax rate are the major factors that determine the level of metal mines tax receipts. Prices for gold, silver, copper, lead, zinc, molybdenum, palladium, and platinum are expected to remain constant during the forecast period. Based on information from the major metal producers in the state, production levels for these minerals are expected to decline slightly throughout the forecast period.

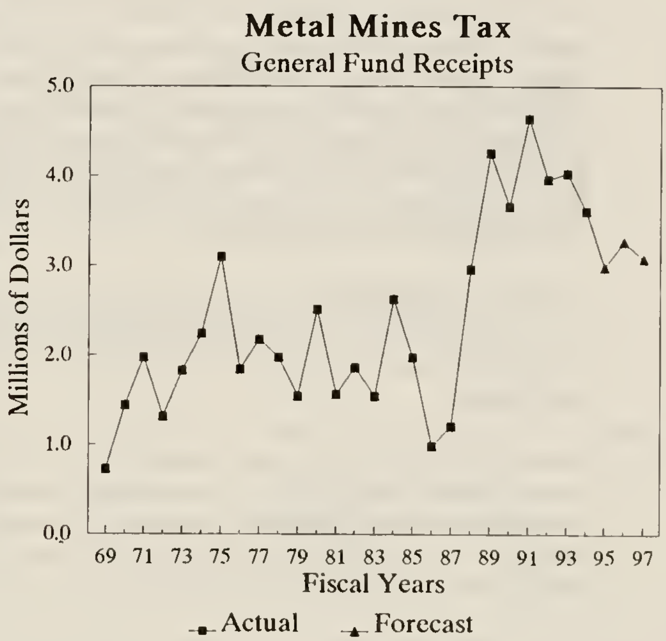
While not directly impacting general fund collections of the metal mines tax, the 1995 legislature enacted several bills dealing with the metal mines license tax distribution.

House Bill 569 revises the allocation of the metal mines license tax. The new distribution allocates 2.2 percent to the groundwater assessment account, 4.8 percent to the reclamation and development grants account and 8.5 percent to the RIT.

Senate Bill 46 reduces the amount of metal mines license tax revenue distributed to the Resource Indemnity Trust (RIT) account from 15.5 percent to 13.3 percent, and reallocates the difference or the 2.2 percent, to the groundwater assessment account, beginning January 1, 1995.

Senate Bill 382 reallocates the 8.5 percent distributed to the RIT, as revised in HB 569, to a new abandoned mines account for fiscal 1996 and fiscal 1997. After fiscal 1997, the 8.5 percent distribution will be deposited in the RIT trust.

As a result of these three bills, none of the metal mines license tax revenue will be deposited in the RIT. See the section on RIT trust interest for an explanation of the impact on RIT proceeds.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	1.828501	1.828501	
	74	2.239654	2.239654	22.49%
	75	3.099368	3.099368	38.39%
	76	1.845076	1.845076	-40.47%
	77	2.177777	2.177777	18.03%
	78	1.978993	1.978993	-9.13%
	79	1.544518	1.544518	-21.95%
	80	2.516820	2.516820	62.95%
	81	1.564569	1.564569	-37.84%
	82	1.861208	1.861208	18.96%
	83	1.542061	1.542061	-17.15%
	84	2.630135	2.630135	70.56%
	85	1.977324	1.977324	-24.82%
	86	1.479993	0.989852	-49.94%
	87	1.756121	1.211030	22.34%
	88	4.248913	2.961778	144.57%
	89	6.355005	4.257531	43.75%
	90	6.306356	3.664579	-13.93%
	91	7.855130	4.638654	26.58%
	92	6.595466	3.965609	-14.51%
	93	6.521077	4.030946	1.65%
	94	6.229683	3.613074	-10.37%
Forecast	95	5.144963	2.984079	-17.41%
Forecast	96	5.630969	3.265962	9.45%
Forecast	97	5.309865	3.079722	-5.70%

Electrical Energy Tax

The electrical energy tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. The tax of $0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy. All receipts are deposited in the general fund.

Total electricity production in Montana is projected to increase slightly during the 1995 biennium. These assumptions are based on production estimates supplied by the major producers.

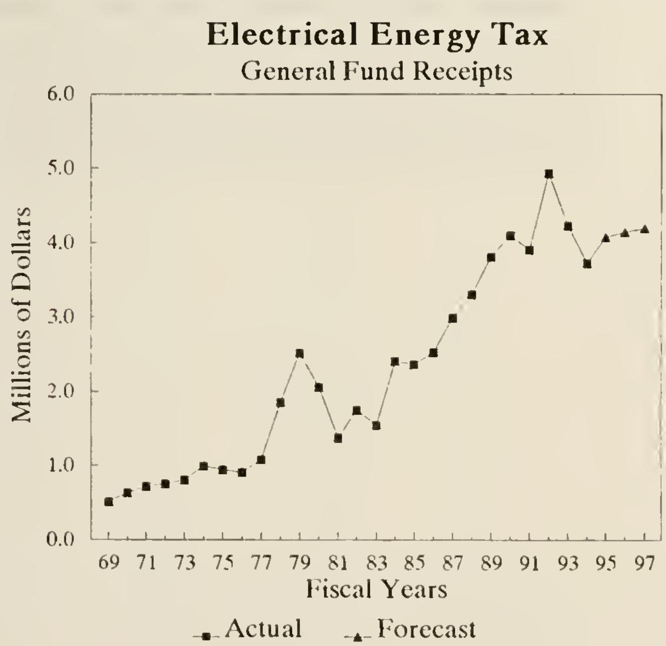
Electrical energy taxes may be reduced by an interest differential credit claimed by the producers. This credit is determined by the difference between the actual interest received on energy conservation loans and the average interest rate for home improvement loans. These credits are expected to reduce revenues by approximately $0.3 million per year.

All the collections from this tax are deposited in the general fund.

During the July 1992 special session, the legislature imposed a 7 percent surtax on all tax liabilities from this source for calendar quarters beginning after June 30, 1992, and before July 1, 1993. Collections from this surtax were also deposited in the general fund.

Fiscal 1992 collections were $0.8 million higher than previous years, due to an executive change in accrual methods. Beginning in fiscal 1992, a "full" accrual method replaced the "modified" accrual method previously used.

House Bill 680 passed by the 1993 legislature eliminated the interest differential tax credit a corporation is allowed to take under current law for low interest loans for qualifying installations of energy saving materials or devices. This bill applies to all loans made after July 1, 1995.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.805716	0.805716	
	74	0.992950	0.992950	23.24%
	75	0.946504	0.946504	−4.68%
	76	0.907698	0.907698	−4.10%
	77	1.082858	1.082858	19.30%
	78	1.850994	1.850994	70.94%
	79	2.523707	2.523707	36.34%
	80	2.060960	2.060960	−18.34%
	81	1.367959	1.367959	−33.63%
	82	1.753173	1.753173	28.16%
	83	1.546157	1.546157	−11.81%
	84	2.413172	2.413172	56.08%
	85	2.361855	2.361855	−2.13%
	86	2.530403	2.530403	7.14%
	87	2.991861	2.991861	18.24%
	88	3.311082	3.311082	10.67%
	89	3.815964	3.815964	15.25%
	90	4.100543	4.100543	7.46%
	91	3.906194	3.906194	−4.74%
	92	4.937510	4.937510	26.40%
	93	4.232200	4.232200	−14.28%
	94	3.728365	3.728365	−11.90%
Forecast	95	4.076331	4.076331	9.33%
Forecast	96	4.145959	4.145959	1.71%
Forecast	97	4.195755	4.195755	1.20%

Drivers' License Fees

A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by motor vehicle division staff or county treasurers and are forwarded to the state treasurer for deposit. Of the fees collected, 53.75 percent go to the general fund, 17.50 percent to the traffic safety and education account, 25 percent to the highway patrol retirement account, and 3.75 percent to counties or the Department of Justice, depending on who collects the fee.

Drivers' license fees are influenced by Montana population growth in the age cohort 16 years and older. It is estimated that the number of people in this group will increase by approximately 0.7 percent per year between 1993 and 1997. The increase in fiscal 1990 receipts is due to commercial vehicle operator's endorsement fees being deposited to the general fund.

Also included in this component of revenue prior to fiscal 1992 are motorcycle endorsement fees and duplicate drivers' license fees.

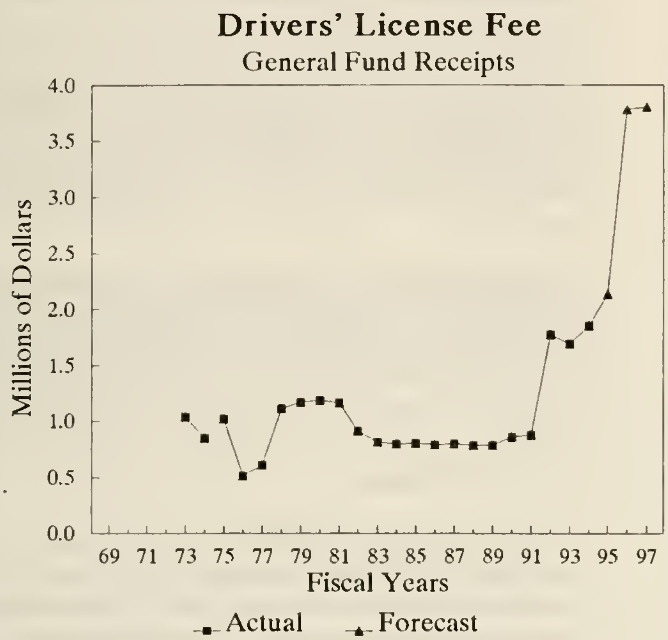
The 1991 legislature increased fees for regular driver's licenses and commercial vehicle operator endorsements. Annual regular drivers' license fees increased from $3 per year to $4 per year, and annual commercial vehicle operator endorsements increased by $2.00 per year. In addition, the bill altered the distribution of these fees, increasing the general fund allocation.

The November 1993 special session enacted several measures that affect drivers' license fee revenue. House Bill 6 abolished the drivers' license reinstatement fee special revenue account and requires all license reinstatement fees be deposited in general fund. Previously, one-half of reinstatement fees were deposited in general fund.

House Bill 89 increased the allocation of drivers' license fees to the general fund by 8.75 percent to 62.5 percent from 53.75 percent beginning in fiscal 1995. Under prior law, 17.5 percent of drivers' license fees were deposited in the traffic education account. The amount deposited in the traffic education account as a result of House Bill 89 were reduced to 8.75 percent.

These two bills increased general fund receipts in fiscal 1994 and fiscal 1995. The estimates for fiscal 1996 and 1997 are based on the growth rate of that portion of the population 16 years and older.

The 1995 legislature enacted House Bill 248 which generally revises driver licensing laws by extending the term of a driver's license from four years to eight years. The transition to eight year licenses results in accelerated collections in the first eight years of operation. The bill altered the allocation of the driver's license fees so that non-general fund accounts would receive the same revenue as under current law, with the excess distributed to the general fund. The general fund will receive $3.27 million in increased driver's license fees during the 1997 biennium.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	1.107303	1.037772	
	74	0.907824	0.851094	−17.99%
	75	1.082272	1.024492	20.37%
	76	0.572576	0.516664	−49.57%
	77	0.669181	0.609501	17.97%
	78	1.174732	1.111813	82.41%
	79	1.237413	1.171820	5.40%
	80	1.302032	1.189350	1.50%
	81	1.270064	1.163647	−2.16%
	82	1.376728	0.916606	−21.23%
	83	1.427548	0.816365	−10.94%
	84	1.328563	0.799616	−2.05%
	85	1.320716	0.803983	0.55%
	86	1.960814	0.796349	−0.95%
	87	1.971861	0.802900	0.82%
	88	1.939289	0.790325	−1.57%
	89	1.934339	0.788321	−0.25%
	90	2.065777	0.862954	9.47%
	91	2.114827	0.882589	2.28%
	92	3.091645	1.775859	101.21%
	93	3.043986	1.693173	−4.66%
	94	3.151465	1.855408	9.58%
Forecast	95	3.213756	2.137576	15.21%
Forecast	96	4.863575	3.779186	76.80%
Forecast	97	4.896550	3.805297	0.69%

Telephone License Tax

The telephone company license tax is levied on the gross income earned by any telephone business within the state, including the transmission of telephone messages by line or by microwave equipment. An exemption is allowed for the first $250 of gross income earned each quarter. The current tax rate of 1.8 percent is applied to the adjusted gross income level. All collections are deposited in the general fund.

During the 1991 regular session, Senate Bill 462 amended this tax from 1.725 percent to 1.8 percent of gross income. Gross income was redefined to exclude the sale of services between telephone companies and customer access line charges.

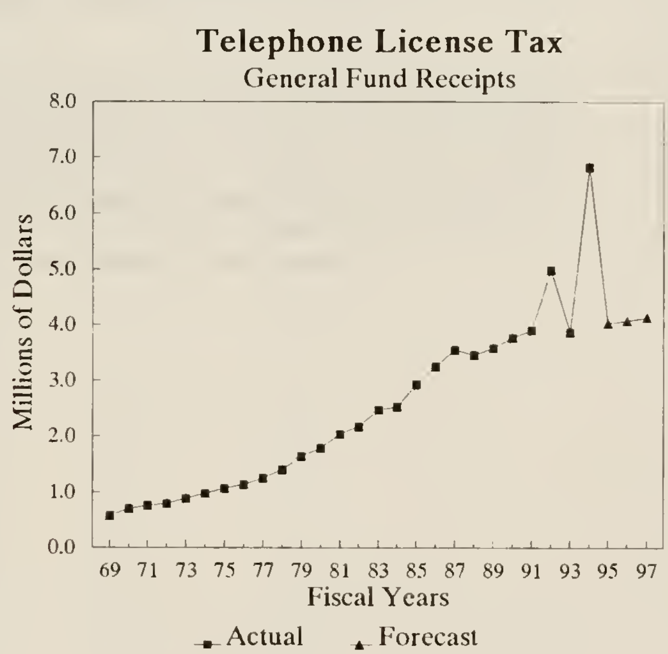
During the July 1992 special session, the legislature imposed a 7 percent surtax on telephone company license tax liabilities incurred for calendar quarters beginning after June 30, 1992, and before July 1, 1993. Collections from this surtax were also deposited in the general fund.

"One-time" revenue of $1.0 million was received in fiscal 1992, due to an executive decision to change from a "modified" to a "full" accrual accounting method.

Telephone license tax revenue increased by approximately $2.6 million in fiscal 1994 due to multi-year telephone tax audits. This was a one-time increase in collections and is not expected to occur in fiscal 1995.

Telephone license tax revenues are forecast using the anticipated level of telephone companies' gross income. Gross income is dependent on the quantity of services provided and the price of the services offered. As the employment base of the state grows and the business economy expands, the demand for these types of services increases.

Revenue forecasts for the telephone license tax are based on modest employment growth and a slight economic expansion for businesses. These assumptions equate to approximately a 1.2 percent annual growth in taxable income.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.879057	0.879057	
	74	0.970774	0.970774	10.43%
	75	1.060939	1.060939	9.29%
	76	1.137010	1.137010	7.17%
	77	1.243602	1.243602	9.37%
	78	1.398137	1.398137	12.43%
	79	1.634245	1.634245	16.89%
	80	1.783776	1.783776	9.15%
	81	2.039383	2.039383	14.33%
	82	2.167815	2.167815	6.30%
	83	2.463670	2.463670	13.65%
	84	2.521905	2.521905	2.36%
	85	2.931732	2.931732	16.25%
	86	3.243935	3.243935	10.65%
	87	3.546256	3.546256	9.32%
	88	3.450499	3.450499	−2.70%
	89	3.580073	3.580073	3.76%
	90	3.760038	3.760038	5.03%
	91	3.899657	3.899657	3.71%
	92	4.983796	4.983796	27.80%
	93	3.865712	3.865712	−22.43%
	94	6.835201	6.835201	76.82%
Forecast	95	4.023309	4.023309	−41.14%
Forecast	96	4.071589	4.071589	1.20%
Forecast	97	4.126555	4.126555	1.35%

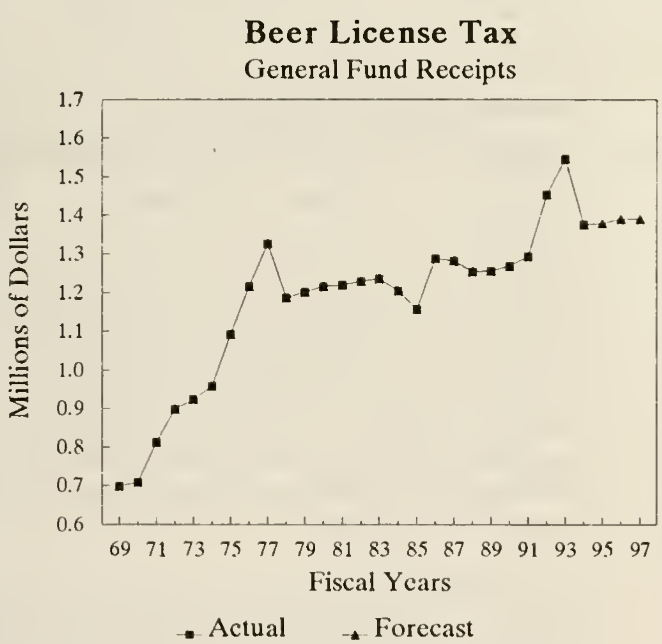
Beer License Tax

A tax of $4.30 is levied on each barrel of beer produced in or imported into Montana. Currently, 41.86 percent of the receipts are distributed to the general fund, 34.88 percent to the Department of Corrections and Human Services alcoholism account, and 23.26 percent to cities and towns.

During the July 1992 special session, the legislature imposed a 7 percent surtax on beer tax liabilities for one year (September 1992 through August 1993). Collections from this surtax were deposited in the general fund.

"One-time" general fund revenues of $0.1 million were collected in fiscal 1992, due to an executive decision to change from a "modified" to a "full" accrual accounting method.

Beer consumption on a per capita basis declined in fiscal 1987 through 1989. In fiscal 1990 through 1994, however, per capita consumption increased, reversing the previous declining trend. Consumption is anticipated to increase at approximately 1.5 percent per year in 1995 and .9 percent in fiscal 1996, but remain flat in fiscal 1997.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	1.847566	0.923783	
	74	1.917612	0.958806	3.79%
	75	2.121039	1.092109	13.90%
	76	2.250211	1.215114	11.26%
	77	2.454724	1.325551	9.09%
	78	3.056366	1.185362	−10.58%
	79	3.203812	1.201430	1.36%
	80	3.244011	1.216504	1.25%
	81	3.249022	1.218383	0.15%
	82	3.279701	1.229888	0.94%
	83	3.295482	1.235805	0.48%
	84	3.211297	1.204236	−2.55%
	85	3.083163	1.156186	−3.99%
	86	3.105743	1.287765	11.38%
	87	3.060956	1.281316	−0.50%
	88	2.997014	1.254564	−2.09%
	89	3.000273	1.255928	0.11%
	90	3.028992	1.267950	0.96%
	91	3.089077	1.293102	1.98%
	92	3.470874	1.452896	12.36%
	93	3.441481	1.545395	6.37%
	94	3.263345	1.375734	−10.98%
Forecast	95	3.295843	1.379655	0.29%
Forecast	96	3.322804	1.390941	0.82%
Forecast	97	3.322804	1.390941	0.00%

Natural Gas Severance Tax

A natural gas severance tax is imposed on the production of natural gas in Montana. The tax rate of 2.65 percent is applied to the total gross value of natural gas produced from each lease or unit. All receipts are deposited in the general fund.

During the July 1992 special session, the legislature imposed a 7 percent surtax on all tax liabilities from this source for production that occurred during fiscal 1993. Collections from this surtax were also deposited in the general fund.

"One-time" general fund revenue of $0.28 million was collected in fiscal 1992, due to an executive change in accrual methods. Beginning in fiscal 1992, a "full" accrual method replaced the "modified" accrual method previously used.

The decrease in collections beginning in fiscal 1988 resulted from legislation passed in 1987 that:

1) exempted from taxation the first 30,000 cubic feet of average daily production from stripper wells; 2) reduced the tax rate on the remaining production from stripper wells; and 3) exempted from taxation all new production for the first 24 months of production. The tax exemption for new production ended in August 1990, when the price of oil reached $25 per barrel.

The 1993 legislature enacted Senate Bill 206 which clarifies that the 7 percent surtax passed in the July 1992 special session does not apply to stripper natural gas wells producing 60,000 cubic feet or less per day.

Natural gas production started to decline in calendar year 1979, but this trend reversed in calendar years 1988 and 1989. Total production is expected to increase at close to one percent per year throughout the forecast period.

Average natural gas well-head prices are expected to increase modestly in calendar 1995 through 1997.

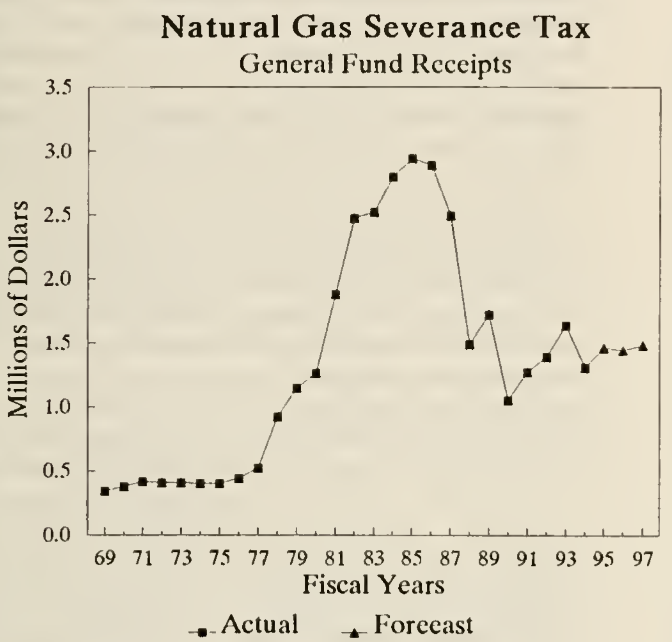
The 1995 legislature enacted comprehensive changes to oil and gas taxation laws.

House Bill 418 increases the privilege and license tax on producers of oil and natural gas from 2/10 of one percent to 3/10 of one percent, effective on production occurring after June 30, 1995. This bill is coordinated with SB 412, the oil and gas tax simplification bill. The increase in this tax is expected to increase revenues by $.61 million during the 1997 biennium, all of which will be deposited in a special revenue account for use by the Board of Oil and Gas Conservation.

Senate Bill 338 exempts oil and gas production from state severance tax for the first 24 months of new production for all wells drilled after March 31, 1995, or from a well that has not been in production during the previous 5 years. This bill is coordinated with SB 412, the oil and gas tax simplification bill. State severance tax revenues will be decreased as a result of SB 338 by $1.264 million during the 1997 biennium.

Senate Bill 412 consolidates tax rates on oil and gas production, and accelerates collection of the share of the consolidated tax rate due to the local government severance tax and the resource indemnity and groundwater assessment (RIGWA) tax. SB 412 consolidates the state severance tax, the local government severance tax, the net proceeds tax, the RIGWA tax, and the privilege and license tax for all oil and gas produced and sold on or after January 1, 1996. As a result of consolidating all oil and gas taxes into a single tax, SB 412 consolidates a number of tax forms currently filed by oil and gas interests into one quarterly form for all state and local taxes. The return and payment would be due 60 days after the end of the quarter of production.

HB 418 and SB 338 contain coordination clauses with SB 412. It was the intent of SB 412 to allocate revenue to each taxing jurisdiction in such a way that changes in revenue would be minimized. Revenue reductions due to SB 338 are to be borne by the state general fund for the first two years after enactment. At this time the Department of Revenue has not finalized the revenue distribution thus revenue estimates due to the combined effect of these bills are not available.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.412667	0.412667	
	74	0.406911	0.406911	−1.39%
	75	0.403359	0.403359	−0.87%
	76	0.445640	0.445640	10.48%
	77	0.527496	0.527496	18.37%
	78	0.923601	0.923601	75.09%
	79	1.151104	1.151104	24.63%
	80	1.264024	1.264024	9.81%
	81	2.115399	1.881292	48.83%
	82	2.658600	2.474811	31.55%
	83	2.731818	2.525059	2.03%
	84	2.974924	2.797996	10.81%
	85	3.455040	2.945778	5.28%
	86	2.995576	2.890666	−1.87%
	87	2.599380	2.492465	−13.78%
	88	1.499755	1.491523	−40.16%
	89	1.724735	1.724735	15.64%
	90	1.057510	1.057277	−38.70%
	91	11.310613	1.277368	20.82%
	92	8.142896	1.395778	9.27%
	93	8.199062	1.638965	17.42%
	94	7.277179	1.310718	−20.03%
Forecast	95	7.507712	1.464848	11.76%
Forecast	96	7.370792	1.447511	−1.18%
Forecast	97	7.574341	1.485947	2.66%

Rail Car Tax

Prior to 1991, the freight line company tax was assessed on the gross earnings of every railroad freight line company operating in Montana. Freight line companies are defined as companies operating or leasing railroad freight cars but not owning the rails over which the cars travel. The tax rate of 5.50 percent was applied to the gross earnings derived from business during the calendar year. All collections from this tax were deposited in the general fund.

During the July 1992 special session, the legislature enacted House Bill 24, which repealed the freight line company tax retroactive to tax years after December 31, 1990. Revenue from the tax which was received for tax years after this date will be returned to the companies who paid the tax.

House Bill 24 placed all property of a railroad car company in property class twelve, beginning in January 1, 1991. Class twelve property subject to taxation is defined in the Railroad Revitalization and Regulatory Reform Act of 1976. The tax rate for class twelve property is the lesser of 12 percent or the average tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

The revenue from this tax is deposited in the general fund.

The 1993 legislature enacted House Bill 640 which revised the tax rate for railroad cars. The new tax rate is equal to the previous year's average statewide levy for commercial and industrial property. The revision in the tax rate is expected to reduce anticipated general fund revenue in the 1995 biennium by $0.299 million. Revenues in the 1997 biennium will also be reduced by $0.218 million.

In June 1993, the Department of Revenue reported that litigation concerning the revised tax imposed in House Bill 24 may result in revenue collections substantially below the HJR 3 estimate.

In November 1993, railroad car tax revenue estimates were reduced by $3.2 million in each year of the 1995 biennium, based on the uncertainty of pending litigation. The receipt of the railroad car tax collections depended on how the U.S. Supreme Court decided in the *ACF v. Oregon* case. The plaintiffs in this case disputed the legitimacy of collecting personal property taxes on railroad property when certain other personal property in the state was untaxed. The plaintiffs claimed such taxation violates the federal 4R act. Since the U.S. Supreme Court was not expected to rule on the Oregon case until spring of 1994, the special session revenue estimates were reduced to zero for both years of the biennium.

On January 24, 1994, the U.S. Supreme Court held in *ACF v. Oregon* that the federal 4R act is not violated when railroad property is not afforded property tax exemptions in the same degree as non-railroad property. The 4R act requires that railroad property be taxed at the average of all commercial and industrial property that is taxed within a taxing jurisdiction. Since exempt commercial and industrial property is not taxed, the exemptions need not be considered in calculating the average commercial and industrial tax rate. The U.S. Supreme Court's ruling is expected to result in a similar ruling in the Montana case, *ACF v. Montana*. However, the litigation in the Montana case concerns different issues than those settled in the Oregon case. The plaintiffs in the Montana case dispute the legality of the Department of Revenue's method of calculating assessed value based on miles and time spent in the state.

Receipts of the new Montana rail car tax for tax years 1991, 1992, 1993, and payment for the first-half of the 1994 tax year, have been deposited an escrow account, totalling $9.6 million. The recent Supreme Court decision will apply to tax years 1993 and beyond. The receipt of rail car tax revenues during the 1997 biennium is expected to be approximately $6 million for liabilities associated with tax years 1995 and 1996.

It remains unclear whether the U.S. Supreme Court decision will apply retroactively to tax years 1991 and 1992.

Because of the uncertainty regarding the release of escrowed rail car monies and the pending litigation, ROC estimated rail car tax receipts in the 1997 biennium to be zero.

REVENUE ESTIMATES

As passed by the 1995 legislature, Senate Bill 257 amended the Rail Car Tax enacted in the June 1992 Special Session. SB 257 was subsequently vetoed by the Governor.

Current law regarding the taxation of rail cars contains two significant features:

> 1) allocation of value to Montana is to be on a mileage basis, i.e., miles traveled in Montana divided by total system miles traveled within North America, unless the Department of Revenue adopts a different method by administrative rule. The Department currently has adopted a rule which allocates value based on mileage and on speed (500 miles per day for the period spent in the state), giving each factor equal weight.
>
> 2) the mill levy applied to the value allocated to Montana is the average rate of taxation on all commercial and industrial property in Montana.

SB 257 would have altered these features by:

> 1) changing the value allocation method by weighting mileage by one-fourth and speed by three-fourths, thus moving in the direction of reducing tax liability for car companies:
>
> 2) changing the mill levy applied to rail cars to the mill levy applied to railroads, again moving in the direction of reducing rail car compay tax liability; and
>
> 3) abolishing the tax at the end of tax year 1997.

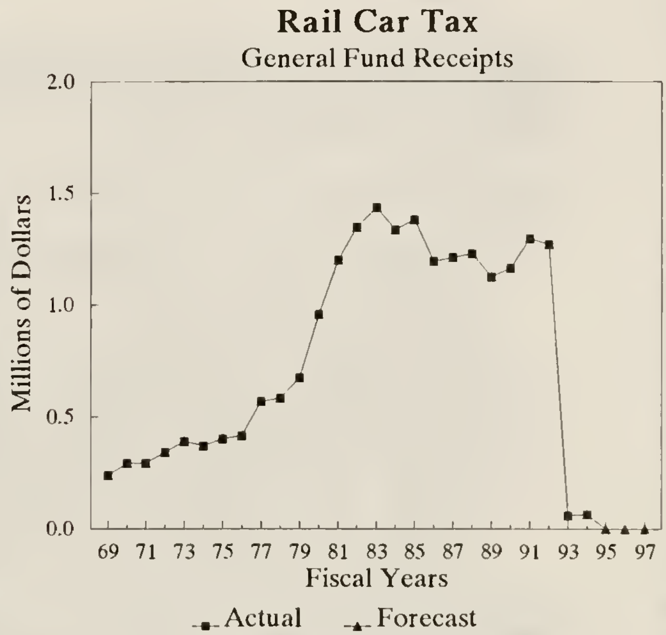
SB 257 would have reduced annual tax liability for all Montana rail car companies from approximately $3.1 million to approximately $2 million.

In explaining his veto, the Governor stated:

> Senate Bill 257 was introduced with the legislative intent to provide a vehicle for negotiation and settlement of the current ongoing litigation between rail car companies and the State of Montana over taxation of railroad cars. Though this bill did accomplish its purpose of precipitating active negotiations between the parties, no settlement was reached. The companies have unequivocally expressed their aversion to settle the case on the basis of the provisions of Senate Bill 257.

At issue in the litigation are the very mill levy and allocation issues that were addressed by SB 257.

The ROC revenue estimates for the rail car tax for the 1997 biennium were zero due to the uncertainty associated with the rail car tax litigation. The Governor's veto of SB 257 does not remove this uncertainty, and therefore expected rail car tax revenue during the 1997 biennium is the same as that estimated by the ROC.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.391288	0.391288	
	74	0.371123	0.371123	−5.15%
	75	0.402583	0.402583	8.48%
	76	0.416321	0.416321	3.41%
	77	0.568326	0.568326	36.51%
	78	0.582638	0.582638	2.52%
	79	0.675790	0.675790	15.99%
	80	0.956356	0.956356	41.52%
	81	1.200093	1.200093	25.49%
	82	1.344761	1.344761	12.05%
	83	1.432164	1.432164	6.50%
	84	1.334111	1.334111	−6.85%
	85	1.379418	1.379418	3.40%
	86	1.195066	1.195066	−13.36%
	87	1.212219	1.212219	1.44%
	88	1.229618	1.229618	1.44%
	89	1.125739	1.125739	−8.45%
	90	1.166312	1.166312	3.60%
	91	1.297794	1.297794	11.27%
	92	1.272134	1.272134	−1.98%
	93	0.059930	0.059930	−95.29%
	94	0.066530	0.066530	11.01%
Forecast	95	0.000000	0.000000	−100.00%
Forecast	96	0.000000	0.000000	NA
Forecast	97	0.000000	0.000000	NA

Wine Tax

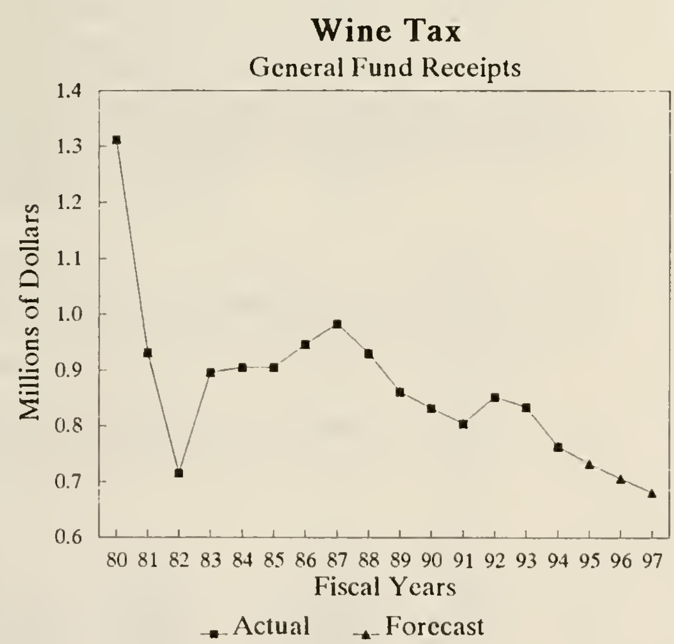
A wine tax is levied on table wines imported into Montana by wine distributors or the Department of Revenue. The $0.27 per liter tax is distributed in the following manner: 59.26 percent to the general fund, 30.89 percent to the Department of Corrections and Human Services alcoholism account, and 9.85 percent to counties and cities.

Since wine taxes are not based on the value of the commodity, revenues are a function of consumption. Montana's per capita consumption declined by 2.6 percent in fiscal 1990, 4.9 percent in fiscal 1991, and increased 1 percent in fiscal 1992.

Per capita consumption declined by 7.9 percent in fiscal 1993, but then increased by less than 1 percent in fiscal 1994. Total revenues for fiscal 1995 through 1997 are expected to decline further but at a slower rate.

During the July 1992 special session, the legislature imposed a 7 percent surtax on all tax liabilities from this source for one year (September 1992 through August 1993). Collections from this surtax were also deposited in the general fund.

Fiscal 1992 collections increased slightly, due to an executive change in accrual methods. Beginning in fiscal 1992, a "full" accrual method replaced the "modified" accrual method previously used.



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80	1.595441	1.312406	
	81	1.129641	0.931611	−29.02%
	82	0.888715	0.715246	−23.22%
	83	1.119855	0.895884	25.26%
	84	1.131132	0.904905	1.01%
	85	1.132060	0.905648	0.08%
	86	1.558356	0.946287	4.49%
	87	1.657783	0.982402	3.82%
	88	1.569139	0.929861	−5.35%
	89	1.453980	0.861618	−7.34%
	90	1.404764	0.832453	−3.38%
	91	1.346598	0.805117	−3.28%
	92	1.433011	0.853172	5.97%
	93	1.360770	0.834702	−2.16%
	94	1.289013	0.763752	−8.50%
Forecast	95	1.236104	0.732506	−4.09%
Forecast	96	1.192222	0.706502	−3.55%
Forecast	97	1.149842	0.681388	−3.55%

Video Gaming Net Income Tax

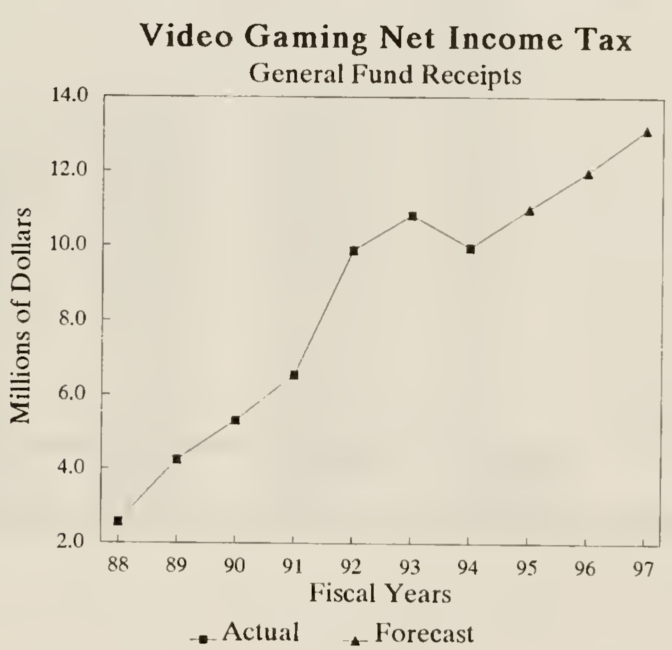
The Department of Justice is authorized to collect a 15 percent tax on the net income of each licensed video gaming machine. One-third of the collections is deposited in the general fund, with the remainder distributed to the incorporated cities and towns or counties in which the licensed machines are located.

During the July 1992 special session, the legislature imposed a 7 percent surtax on all tax liabilities from this source for calendar quarters beginning after June 30, 1992 and before July 1, 1993. Total collections from this surtax were deposited in the general fund.

Fiscal 1992 collections were higher than previous years, due to an executive change in accrual methods. Beginning in fiscal 1992, a "full" accrual method replaced the "modified" accrual method previously used.

Video gaming revenues have been one of the fastest growing general fund revenue sources in the state. This growth is expected to continue throughout the forecast period but at a declining rate. This assumption is based on moderate population growth and modest disposable income growth.

In addition to the net income tax, the department collects $200 for each video gambling machine permit, $100 to be retained by the department for administrative purposes, and $100 to be returned to the local government jurisdiction in which the machine is located. An annual license fee of $1,000 is also charged to manufacturers/distributors of video gaming machines.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80			
	81			
	82			
	83			
	84			
	85			
	86			
	87			
	88	7.683505	2.561170	
	89	12.748094	4.249364	65.91%
	90	16.000463	5.302840	24.79%
	91	19.547408	6.551179	23.54%
	92	29.653239	9.875213	50.74%
	93	28.733786	10.818364	9.55%
	94	29.904088	9.955424	−7.98%
Forecast	95	32.974530	10.991499	10.41%
Forecast	96	35.982981	11.994315	9.12%
Forecast	97	39.427735	13.142565	9.57%

Motor Vehicle Account

With the enactment of House Bill 744, the 1989 legislature eliminated the state special revenue motor vehicle recording account and required all receipts be deposited in the general fund. Effective July 1, 1989, the fund balance and many of the fees collected by the Department of Justice are deposited in the general fund. Some of these fees include:

1) $3.50 of the $5.00 motorboat or sailboat certificate of ownership or transfer of ownership fee; 2) $3.50 of the $5.00 snowmobile certificate of ownership fee; 3) the $0.50 snowmobile registration fee; 4) all money collected from snowmobile dealer registration and renewal registration fees; 5) all money collected from the filing of security interests or other liens against motor vehicles and recreation vehicles; 6) $3.50 of the $5.00 certificate of the motor vehicle ownership fee; 7) $20.00 of the $25.00 personalized license plate fee, $1.00 the $10.00 special license plate fee for military veterans, and $5.00 of the $10.00 renewal or transfer fee; 8) the $1.00 fee for the motor vehicle computer fee; 9) $3.50 of the $5.00 fee for certificate of ownership of an off-highway vehicle.

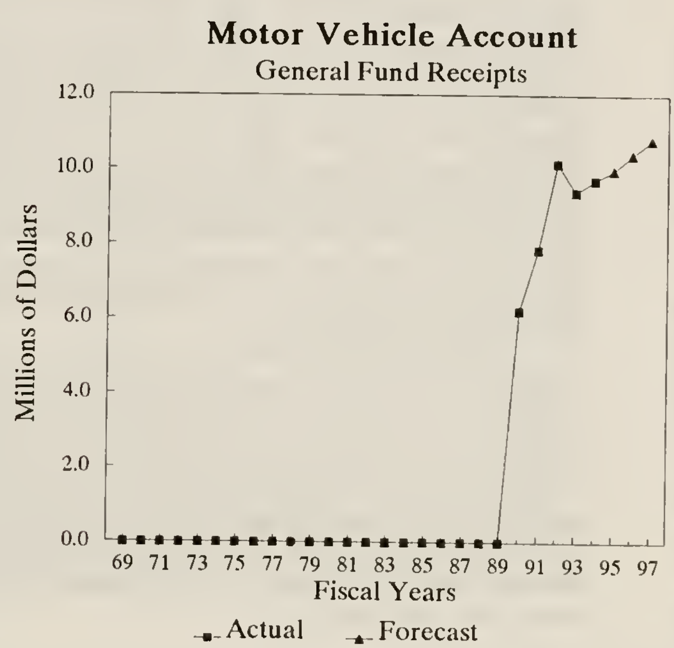
Fiscal 1992 revenue collections are higher due to the executive decision to change from a "modified" to "full" accrual accounting system. This resulted in a one-time increase in revenue of $0.75 million in fiscal 1992.

The 1995 legislature enacted several measures that impact motor vehicle account collections.

House Bill 97 authorizes the issuance of personalized veteran's license plates. The fees for personalized plates are not changed by this legislation and remain as in section 61-3-406, MCA. It is expected that a certain number of veterans who currently purchase regular license plates will switch to personalized veteran's plates. Since these plates are more expensive ($25 for personalized plates compared to $2 for regular plates), and since $20 of the cost of the personalized plate is deposited in the general fund, revenue from this source will increase by approximately $28,000 during the 1997 biennium.

House Bill 219 allows a Montana resident on active military duty living outside Montana to purchase Montana license plates and to register a motor vehicle for the cost of the registration alone. Because these residents will be able to avoid paying personal property taxes assessed against the vehicle, general fund revenue will be reduced by approximately $12,000 during the 1997 biennium.

House Bill 307 creates an express "title only" procedure for certain dealers of used motor vehicles. Under current law, dealers are able to avoid having to title and register vehicles in inventory by using dealer reassignment procedures upon the purchase of a motor vehicle. This act allows the dealer to purchase a title only and to avoid having to register the vehicle. Because dealers will be purchasing additional titles as a result of this act, receipts in the general fund will increase by $.405 million during the 1997 biennium.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	0.981857		
	74	1.004323		
	75	1.014323		
	76	1.696042		
	77	1.830486		
	78	1.860705		
	79	1.886948		
	80	2.572515		
	81	2.833222		
	82	2.950899		
	83	3.178901		
	84	3.399886		
	85	3.342315		
	86	3.401138		
	87	3.332350		
	88	4.055326		
	89	4.832959		
	90	6.207916	6.207916	
	91	7.845076	7.845076	26.37%
	92	10.151949	10.151949	29.41%
	93	9.381736	9.381736	−7.59%
	94	9.720928	9.720928	3.62%
Forecast	95	9.980175	9.980175	2.67%
Forecast	96	10.392337	10.392337	4.13%
Forecast	97	10.794596	10.794596	3.87%

Vehicle Tax

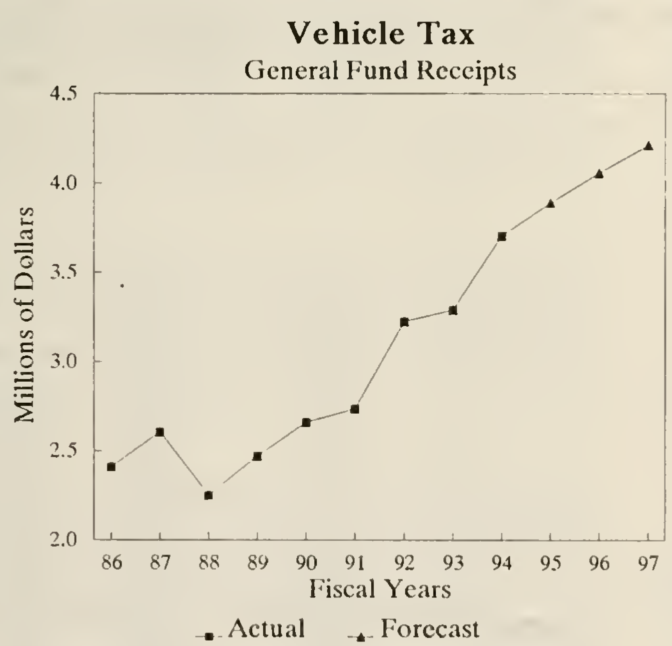
Motor vehicles are assessed for taxes on the first day of the registration period. The assessment is based on the average trade-in or wholesale value as of January 1. The National Automobile Dealers Association (NADA) Official Used Car Guide, the National Edition of NADA Appraisal Guides Official Older Used Car Guide, or the retail value of the vehicle as determined by the county assessor, is used for value assessment.

If the value shown in any of the appraisal guides is less than $500, the value of the vehicle is set at $500. The amount of tax due is based on 2 percent of the assessed value.

The statewide value of all vehicles is forecast to increase approximately 4.3 percent per year through 1997. This growth includes the value of the vehicles plus the growth in the number of vehicles.

Seven percent of these taxes is remitted to the state general fund for purposes of funding district court expenses. The remainder is distributed based on the relative proportions of mill levies for state, county, school district, and municipal purposes.

Fiscal 1992 revenue collections are higher due to the executive decision to change from a "modified" to "full" accrual accounting system. This resulted in a one-time increase in revenue of $0.23 million in fiscal 1992.



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80			
	81			
	82			
	83			
	84			
	85			
	86			
	87			
	88	32.216414	2.255149	
	89	35.306743	2.471472	9.59%
	90	38.024086	2.661686	7.70%
	91	39.102029	2.737142	2.83%
	92	43.024315	3.226705	17.89%
	93	46.976700	3.288369	1.91%
	94	52.908729	3.703611	12.63%
Forecast	95	55.525890	3.886812	4.95%
Forecast	96	57.925854	4.054810	4.32%
Forecast	97	60.116449	4.208151	3.78%

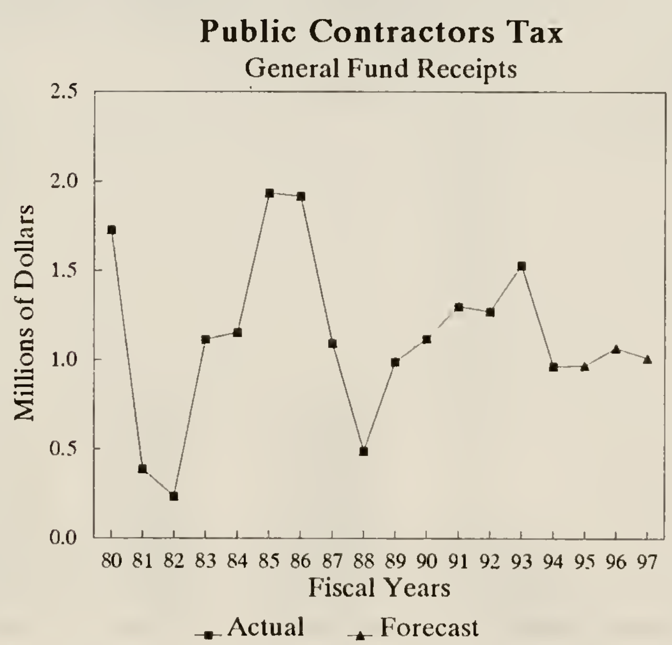
Public Contractors Tax

Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

A one percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, the license fee paid may be used as a credit on the contractor's corporate, individual, or personal property tax return.

Fiscal 1992 revenue collections are higher due to the executive decision to change from a "modified" to "full" accrual accounting system. This resulted in a one-time increase in revenue of $0.09 million in fiscal 1992.

Collections during the 1997 biennium are anticipated to remain near the fiscal 1994 level.



	FY	Total Collections Millions	General Fund Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80	1.728618	1.728618	
	81	0.391338	0.391338	
	82	0.234907	0.234907	
	83	1.113275	1.113275	373.92%
	84	1.152868	1.152868	3.56%
	85	1.935117	1.935117	67.85%
	86	1.916303	1.916303	−0.97%
	87	1.094458	1.094458	−42.89%
	88	0.488446	0.488446	−55.37%
	89	0.987887	0.987887	102.25%
	90	1.118458	1.118458	13.22%
	91	1.300905	1.300905	16.31%
	92	1.270364	1.270364	−2.35%
	93	1.530528	1.530528	20.48%
	94	0.964193	0.964193	−37.00%
Forecast	95	0.966760	0.966760	0.27%
Forecast	96	1.066768	1.066768	10.34%
Forecast	97	1.010678	1.010678	−5.26%

Property Tax

Montana law requires counties to levy a county equalization levy of 55 mills against all taxable value in a county. The state levies a statewide equalization levy of 40 mills against taxable value of all property in the state. Except for agricultural land and timberland, taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes residential and commercial property, personal property, utility property, railroad and airline property, livestock, and mineral net proceeds. Agricultural land and timberland are valued on a productivity basis. The revenue from the property tax depends on the underlying value of the property and the legislated tax rates. Prior to fiscal 1996, revenue from the county equalization levy and the statewide levy was deposited in the SEA and used exclusively for support of public schools. Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedicated revenue and appropriations. Property tax receipts, while still to be used for support of public schools, will be deposited in the general fund beginning in fiscal 1996.

Prior to 1973, there was a single county property tax and counties were required only to levy as much as was necessary to finance the foundation program for all the schools of the county. Beginning in fiscal 1974, all counties were required to levy 40 mills, with any excess sent to the state.

Beginning in 1983, the county equalization levy was increased to 45 mills, 28 mills for elementary schools and 17 mills for high schools. Any property tax revenue in excess of the amount needed to fund schools locally continued to be deposited in the SEA.

In a special legislative session in 1989, the county equalization levy was increased to 55 mills, 33 mills for elementaries and 22 mills for high schools, with any excess deposited in the SEA. In addition, a statewide levy of 40 mills was imposed on all property in the state. The 40 mill property tax was deposited entirely in the SEA. Both the county equalization levy and the statewide levy are collected by the county semi-annually in November and May.

In fiscal 1993, the law was changed to require counties to remit the entire 55 mills, as well as the 40 mills to the state. The 95 mills is currently deposited in the SEA for distribution to schools. Counties were also required to deposit in the SEA any ending fund balance in their county equalization accounts at the end of fiscal 1993.

In addition to the tax on property, this revenue component includes collections from "nonlevy" sources which are distributed on the basis of mills levied by taxing jurisdictions. These nonlevy sources include local government severance taxes, vehicle fees, net proceeds taxes on oil and gas production, coal gross proceeds taxes, local share of the state corporation license taxes, and other smaller revenue sources.

Collections of property tax rose rapidly between fiscal 1970 and fiscal 1986, due to: a doubling of residential and commercial property values; increases in the value of personal property and utility property; and increases in oil, gas and coal production. Between 1986 and 1990, property taxes declined mainly because of a reduction in the price of oil and natural gas. In the 1989 session, a significant part of the property tax base was removed when legislation was passed to tax natural resources on a "flat tax" basis. This legislation removed nearly $320 million from the property tax base in fiscal 1991.

In addition, multiple tax rates on personal property were collapsed into a reduced rate. In fiscal 1991, however, collections actually rose substantially above levels in fiscal 1990 because of the enactment of the 40 mill statewide levy.

Revenues have continued to increase since fiscal 1991, as the Montana economy continues to grow. The relative importance of oil, gas and coal revenues distributed to the property tax levies continues to decline. As the economy grows, however, property values increase and growth-dependent nonlevy revenue sources, such as motor vehicle fees, also grow.

In November 1994, Revenue Oversight Committee adopted an assumption that the market value of all property would increase at 3 percent per year throughout the forecast period of fiscal 1996 through fiscal 1997. Property taxes plus "nonlevy" revenues are expected to grow between 2.7 percent and 2.9 percent throughout the forecast period.

REVENUE ESTIMATES

The 1995 legislature revised property taxation by enacting several property taxation bills.

House Bill 497 expands property tax relief for low income property owners. In addition, HB 497 establishes a two-year program to reimburse residential property owners whose residences increased in value by 15 percent or more during the reappraisal conducted in tax year 1993.

- Low Income Tax Relief - Under current law, single and married homeowners are eligible for reductions in property taxes on the first $80,000 in home market value if they meet certain income requirements. The extent of the reduction in property taxes varies inversely with income, with some very low income taxpayers eligible for total property tax relief. Married taxpayers with incomes up to $16,214 in calendar 1994 were eligible for some relief, with single taxpayers eligible if incomes did not exceed $13,512. These income limits increase with inflation. The taxpayer must live in the residence for at least ten months of the year.

  HB 497 expands the income eligibility limits for the low income property tax exemption and collapses the number of tax relief brackets from ten to three. The new limits, set to take effect in fiscal 1997, allow some relief for married couples with incomes up to $20,000 and up to $15,000 for single taxpayers.

  The low-income tax relief provisions in HB 497 also 1) raise the amount of market value eligible for property relief from $80,000 to $100,000; 2) change the number of months in which a taxpayer must reside in the residence receiving the relief from ten months to seven months; and 3) delay the relief application date from March 1 until March 15. The changes in the low-income tax relief will affect tax years beginning after December 31, 1995. The total reduction in property taxes as a result of HB 497 is expected to be $2.356 million in fiscal 1997. Of this amount, the state will experience a reduction in property revenue of $.556 million and $.035 million from the statewide 95-mill levy and the six-mill university levy, respectively.

- Residential Property Tax Relief - Homeowners with homes that increased in value by more than 15 percent due to reappraisal between January 1, 1992 and January 1, 1993 will be eligible for a refund of property taxes paid in excess of the 15 percent increase. Homeowners must have lived in the qualifying residence for at least seven months of the year. HB 497 contains general fund appropriation authority of $7.5 million per year for fiscal 1996 and 1997 for the homeowners' tax refunds.

House Bill 545 exempts from property taxation the value of improvements made to commercial buildings that remove barriers to persons with disabilities. The exemptions will be available for improvements made after December 31, 1995. Improvements include wheelchair access ramps, elevators, handrails, enlargements of kitchens or bathrooms and the installation of special equipment for people with disabilities. HB 545 will result in a slight decrease in the total valuation of property beginning in fiscal 1997.

Senate Bill 138 revises the method by which land underlying homesteads are valued for property tax purposes. Under previous law, homesteads and the one acre underlying homestead improvements are valued at market value, regardless of the size of the acreage owned by the homestead owner. SB 138 requires that the land underlying a homestead (up to one acre) be valued at the class with the highest productive value and production capacity of agricultural land in the state, if the attached acreage exceeds 160 acres, or if the attached acreage is less than 160 acres and the land qualifies as agricultural. If the attached land is less than 160 acres and does not qualify as agricultural, then the land underlying the homestead must be valued at market, as under current law. Land in lots of less than 160 acres qualifies as agricultural if the land produces at least $1,500 in agricultural products. The new valuation scheme for land underlying homesteads will apply to tax years after December 31, 1995. The reduction in property taxes for all governments in fiscal 1997, the first year in which SB 138 will become effective, will be approximately $1.5 million. The state's share of the revenue reduction in fiscal 1997 will be $.4 million attributable to the 95-mills and less than $.1 million attributable to the six-mill university levy.

REVENUE ESTIMATES

Senate Bill 156, beginning in fiscal 1997, requires the boards of county commissioners in counties where colleges of technology reside, to levy 1.5- mills for deposit in the state general fund. As a result, general fund revenues are expected to increase by slightly over $1.0 million in fiscal 1997. Effective in fiscal 1997, these colleges of technology are appropriated (HB 2) general fund support. Under current law and effective in fiscal 1996, counties with colleges of technology (Cascade, Lewis and Clark, Missoula, Silver Bow and Yellowstone) are mandated to levy and retain 1.5-mills for the support of these colleges. This revenue is included in the revenue estimates as "Other Revenue".

Senate Bill 198 revises the valuation of irrigated agricultural land by limiting deductible water costs. Base water costs are deducted from imputed gross agricultural value to determine net productivity value of agricultural land. Minimum water costs of $5.50 per acre will be used for each acre of land. Total water costs may not exceed $35 per acre. Reductions in property tax revenue will total nearly $1 million dollars for all governments during the 1997 biennium. State general fund revenues will fall by $.3 million and revenues generated by the six-mill university levy will fall by $28,000. The new water cost schedules will apply to all tax years beginning after December 31, 1994.

Senate Bill 417 revises the tax rate applicable to class 8 business property from 9 percent to 6 percent. The reduction in tax rates is phased in over three years, dropping 1 percent per year beginning in tax year 1996, reaching 6 percent in tax year 1998. The loss in revenue to counties, schools, and cities in fiscal years 1996 through fiscal 1999 will be reimbursed by the state. The reimbursements beyond fiscal 1999 will be phased out at the rate of 10 percent per year, and after fiscal 2009 no further reimbursements will be made. Also beginning in fiscal 2000, SB 417 phases out personal property tax reimbursements authorized by HB 20, which was passed by the 1989 legislature. The phase-out of HB 20 reimbursements will also be conducted over ten years.

In fiscal 1995, property tax revenue from personal property for all governments totaled $85.9 million[1]. As a result of the reduction in the personal property tax rate, the tax rate applied to class 12 property, i.e., railroad and airline property, will also be reduced since the class 12 rate depends on the class 8 rate. Total property tax revenue for all governments in fiscal 1995 from class 12 property was $20.7 million. Revenue from these two classes accounted for 15.0 percent of all property tax revenue for all taxing jurisdictions. When the reduction in revenue from these sources is fully phased-in beginning in fiscal 1999, this reduction will be equal to 5.0 percent of all property tax revenue for all taxing jurisdictions.

Table 11 below shows the impact of SB 417 on state property tax revenues, and the reimbursement amounts for local governments, through fiscal 1999, before the reimbursement phase-out begins. In tax year 1996, the tax rate on class 8 property will drop from 9 percent to 8 percent. For personal property liened to real property, the tax liability reduction will take place on tax payments which occur in November, 1996 and May, 1997; i.e., in fiscal 1997. However, approximately 38 percent of all personal property is not liened to real property, and under current rules tax payments on non-liened property for tax year 1996 take place in April, 1996 based on the value of the previous year mills. Thus, the reduction in the tax rate applied to property for tax year 1996 will result in revenue reductions in both fiscal year 1996 and 1997.

[1] This does not include property described in section 15-6-138, MCA that has a reduced tax rate under section 15-6-1402, MCA. Personal property with a reduced tax rate will generate approximately $3.3 million in fiscal 1995.

Table 11
Revenue Impact of SB417
By Taxing Jurisdiction, 1997 Biennium and 1999 Biennium

Taxing Jurisdiction	FY96	FY97	1997 Biennium	FY98	FY99	1999 Biennium
State (Unversity Levy)	$68,828	$249,955	$318,784	$431,083	$543,381	$974,464
State (Welfare Levy)	31,810	115,520	147,329	199,230	251,130	450,359
State (Statewide Levy - 40 Mills)	458,860	1,666,387	2,125,248	2,873,914	3,622,581	6,496,495
State (Co. Equalization - 55 mills)	630,931	2,291,277	2,922,209	3,951,623	4,981,038	8,932,661
County Government *	818,850	2,973,718	3,792,568	5,128,586	6,464,604	11,593,189
School Governments *	1,743,416	6,331,353	8,074,769	10,919,290	13,763,811	24,683,101
Cities *	199,320	723,847	923,168	1,248,375	1,573,581	2,821,956
Total	$3,952,016	$14,352,058	$18,304,074	$24,752,100	$31,200,126	$55,952,226

* Reimbursed by state

Reimbursement for revenue lost due to SB 417 will be made to county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community college and vocational technical center districts, miscellaneous districts, and special districts. State accounts will not be reimbursed for reductions in the statewide 40-mill levy, the county equalization 55-mill levy, the university six-mill levy, nor the 12 county welfare nine-mill levy. Reimbursements to local taxing jurisdictions will be made when the amount of "lost" revenue, as calculated by the Department of Revenue, is deducted from the amount of the statewide levy owed by each local jurisdiction. Each taxing jurisdiction will send the state a reduced amount in statewide levy revenue in November and May of each fiscal year.

The reimbursement calculation for each taxing jurisdiction will not include growth in taxable value beyond the taxable value existing in tax year 1995. In addition, the reimbursement calculation will not include growth in revenue due to increases in local mill levies.

Reimbursements in fiscal years 2000 through fiscal 2009 will be phased out. Total reimbursements to local governments are expected to be $39.1 million in fiscal 1999 and will be reduced by approximately $3.9 million each year over the next ten years. HB 20 reimbursements to local taxing jurisdictions will be $10.7 million in fiscal 1999 and will be reduced by $1.07 million each year for the ensuing ten years.

Several measures passed by the 1995 legislature will affect nonlevy revenue sources which are distributed to state mill levy accounts.

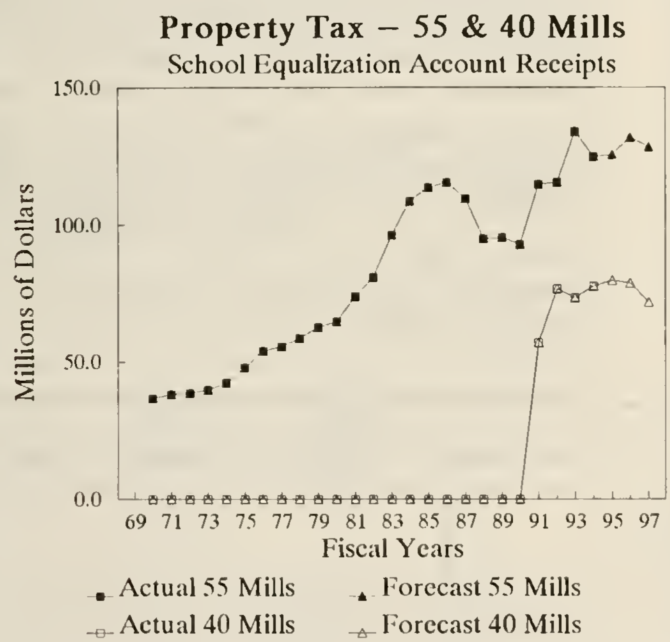
Senate Bill 161 replaces the property tax on motorcycles with a fee in lieu of tax. The new fee will be distributed to various taxing jurisdictions on the basis of relative mills. The new fee will become effective January 1, 1996 and will generate less total revenue than the old property tax. State general fund revenue collections will decline by $56,000 during the 1997 biennium.

Senate Bill 412 consolidates tax rates on oil and gas production, and accelerates collection of the share of the consolidated tax rate due to the local government severance tax and the resource indemnity and groundwater assessment (RIGWA) tax. Under current law, payment of LGST taxes are due quarterly 14 months after the quarter in which the resource is produced, whereas payment of the state severance tax, the net proceeds tax, and the privilege and license tax are due quarterly two months after the quarter in which the resource is produced. Requiring that one return be filed and that taxes be paid 60 days after the quarter in which production takes place results in two years of LGST being collected in one year.

REVENUE ESTIMATES

Accelerated collections of the LGST will result in a one time revenue increase of $4.5 million during fiscal 1996, assuming all companies take advantage of the 6 percent discount for prompt payment. The University system will receive $.6 million in the six mill account and other governments will receive $13.5 million in accelerated LGST payments in fiscal 1996.

Senate Bill 424 revises the method by which local government severance taxes are distributed among taxing jurisdictions by disallowing the inclusion of emergency levies that existed in fiscal 1990 in the calculation formula. Fallon County is the only county in which an emergency levy was levied in fiscal 1990. SB 424 will be to reallocate LGST revenue among the taxing jurisdictions within Fallon County during the 1997 biennium. Within Fallon county, county governments and miscellaneous districts will lose revenue and school districts will gain revenue. The state will receive approximately $6,000 more in LGST receipts in the general fund.



	F Y	55 Mills Collections Millions	40 Mills Collections Millions	Percent Change
	73	39.803965		
	74	42.464866		
	75	47.940403		
	76	54.030973		
	77	55.677405		
	78	58.669748		
	79	62.731417		
	80	64.878079		
	81	73.800357		
	82	80.825230		
	83	96.327999		
	84	108.533076		
	85	113.457247		
	86	115.429422		
	87	109.494240		
	88	94.890656		
	89	95.325147		
	90	92.706080		
	91	114.752233	56.993458	
	92	115.428318	76.611683	34.42%
	93	133.890767	73.491444	-4.07%
	94	124.671245	77.685356	5.71%
Forecast	95	125.325653	79.792331	2.71%
Forecast	96	131.638510	78.703191	-1.36%
Forecast	97	128.238092	71.894354	-8.65%

Lottery Transfers

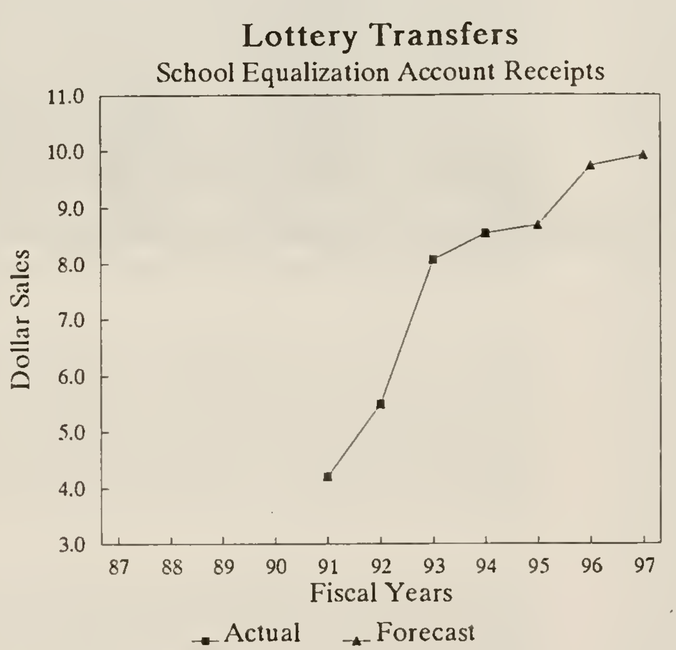
The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize. The games are administered by the Department of Commerce

Before fiscal 1991, lottery revenue was distributed 45 percent to prizes, 15 percent to administration, and the remainder for teachers' retirement. Beginning in fiscal 1991, lottery revenue was distributed 45 percent to prizes and 15 percent to administration. Of the remaining net revenue, 1.6 percent was distributed to the Board of Crime Control to fund state grants to counties for youth detention services, and the remaining portion was deposited in the SEA.

Beginning in fiscal 1992 and thereafter, the percentage to the Board of Crime Control was increased to the lesser of 9.1 percent of net revenue or $1 million dollars annually.

Lottery revenues increased rapidly in the early 1990s, due to higher disposable personal income and an increased number of games, including the introduction of the Powerball game. During the introductory stages of a new game, consumer interest is high. After a few years, however, interest in a new game moderates and ticket sales subsequently decline. Lottery revenue projections for the 1997 biennium are expected to follow this pattern, and revenues are expected to increase at slightly less than 2 percent per year.

Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedication of revenue and statutory appropriations. Effective beginning in fiscal 1996, that part of all gross lottery revenue not used for prizes, commissions, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund) is considered net revenue. This net revenue must be transferred quarterly to the general fund. The Board of Crime Control allocation of revenue was eliminated. It is expected that $1.787 million of additional lottery revenue will be deposited in the general fund during the 1997 biennium.



	F Y	Total Collections Millions	SEA Collections Millions	Percent Change
	73			
	74			
	75			
	76			
	77			
	78			
	79			
	80			
	81			
	82			
	83			
	84			
	85			
	86			
	87			
	88	8.375894		
	89	2.774692		
	90	4.168858		
	91	4.200337	4.200337	
	92	5.582835	5.493509	30.79%
	93	8.868627	8.061582	46.75%
	94	9.377236	8.523907	5.73%
Forecast	95	9.547213	8.678417	1.81%
Forecast	96	9.726664	9.726664	12.08%
Forecast	97	9.906660	9.906660	1.85%

Interest and Income

Lands granted by the federal government to the state for the benefit of public schools generate income. Prior to fiscal 1996, this income was deposited in the SEA. Beginning in fiscal 1996, this income will be deposited in the general fund, as mandated by Senate Bill 83, passed by the 1995 legislature. The public schools land produces revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. After deducting 2.5 percent of the revenue (excluding timber sale revenue) for use by the Department of State Lands[2] (DSL), interest and income revenues are deposited 95 percent to the SEA and 5 percent to the public school trust.

The public school trust itself generates interest earnings for the state. These earnings must be deposited 95 percent to the SEA with the remaining 5 percent returning to the trust.

Prior to the January 1992 special session, timber was considered part of the public trust corpus and any revenue derived from the sale of timber was returned to the trust. In the January 1992 special session, legislation was passed which redefined timber sale revenue as income and required that timber sale revenue be distributed in the same manner as other income from school lands.

This was a temporary diversion of revenue through the end of fiscal 1993. HB 667, passed in the 1993 regular session, made the diversion permanent.

In addition to the 2.5 percent diversion of school lands revenue to DSL, an additional $312,000 of timber sale revenue is diverted to the department to be used for increased timber sale preparation and documentation. This diversion is scheduled to terminate at the end of the 1995 biennium.

In the early eighties, school land revenue increased dramatically due to higher than usual bonus payments for oil and gas leases.

Before fiscal 1985, payments of interest and income to the SEA were made once a year. In fiscal 1985, the payment schedule was accelerated from once a year to twice a year. This resulted in unusually high one-time revenues in fiscal 1985.

Since fiscal 1989, interest and income revenues have been increasing at an average of 4.9 percent per year, primarily as a result of the diversion of timber revenue in fiscal 1992 and increased investment earnings. These revenues are expected to level off in the 1997 biennium due to flat or falling timber prices and moderate growth in investment earnings.

Several measures were enacted by the 1995 legislature which will impact interest and income revenues.

House Bill 50 makes permanent certain provisions regarding the sale of timber on state lands. HB 50 will result in additional sales of timber during the 1997 biennium. However additional costs associated with the sale of timber will also be incurred. Since these costs are deducted from current timber sale revenues, there will be a loss of $297,000 in fiscal 1996 and an increase of $391,000 in fiscal 1997.

[2] With the passage and approval of SB 234, the Department of State Lands was reorganized into the Department of Environmental Quality and the Department of Natural Resources and Conservation. Refer to Section C of the Appropriations By Agency and Program narrative in Volume II of this publication for further detail.

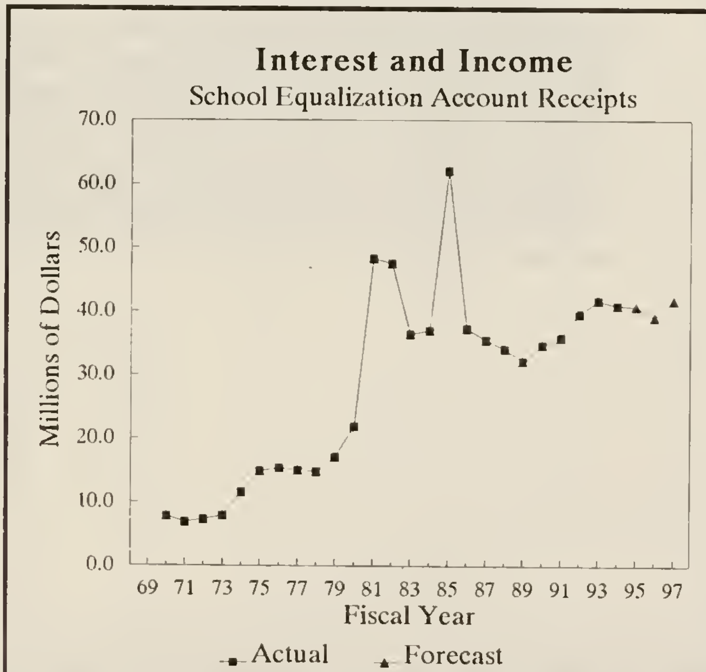
REVENUE ESTIMATES

House Bill 201 requires the state to increase timber sales from state lands consistent with an annual sustainable yield of 45 million board feet to 55 million board feet, contingent on a study to determine the appropriate level of annual sustainable yield. HB 201 caps the amount of timber sale revenue deposited in the general fund (formerly the school equalization account, which was abolished in SB 83) from the common school trust at an average annual sale value of 18 million board feet. Any excess timber sale revenue from the common school trust is to be diverted to the general fund, but "earmarked" for deposit in school districts' newly established technology acquisition fund to buy technological equipment and provide technical training for school district personnel. No appropriation authority was provided for the expenditure of the money deposited in the technology acquisition fund during the 1997 biennium.

During the 1997 biennium no reduction in revenue is anticipated as a result of the cap on timber sale revenue from the common school trust since annual harvests are close to 18 million board feet. The cap may affect timber sale revenue from the common school trust that is deposited in the general fund in future biennia.

House Bill 201 does affect timber sale revenue because it diverts timber sale revenue before it is deposited in the general fund to pay for costs associated with increasing timber sales. The total revenue effect is expected to be a loss of $1.107 million to the general fund during the 1997 biennium.

House Bill 274 grants the Department of State Lands broader discretion to expedite sales of state timber in emergency situations and limited access situations. (Effective in fiscal 1996, as a result of the natural resources reorganization bill [SB 234], the forestry function was transferred to the Department of Natural Resources and Conservation.) As a result of HB 274, timber sale revenue will increase and revenue deposited in the general fund is expected to increase by $.537 million during the 1997 biennium.



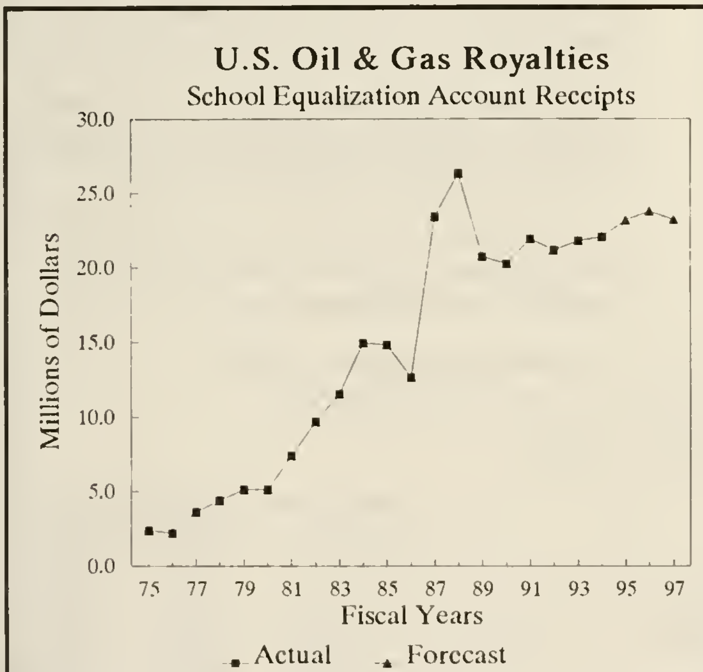
	F Y	Total Collections Millions	SEA Collections Millions	Percent Change
	73	7.905829	7.905829	
	74	11.606605	11.606605	46.81%
	75	14.905773	14.905773	28.42%
	76	15.390972	15.390972	3.26%
	77	15.128545	15.128545	-1.71%
	78	14.854923	14.854923	-1.81%
	79	17.122330	17.122330	15.26%
	80	21.882375	21.882375	27.80%
	81	48.265782	48.265782	120.57%
	82	47.478286	47.478286	-1.63%
	83	36.398297	36.398297	-23.34%
	84	36.982835	36.982835	1.61%
	85	62.050661	62.050661	67.78%
	86	37.301053	37.301053	-39.89%
	87	35.529619	35.529619	-4.75%
	88	34.078544	34.078544	-4.08%
	89	32.165382	32.165382	-5.61%
	90	34.706901	34.706901	7.90%
	91	35.865505	35.865505	3.34%
	92	39.616168	39.616168	10.46%
	93	41.673746	41.673746	5.19%
	94	40.943551	40.943551	-1.75%
Forecast	95	40.795896	40.795896	-0.36%
Forecast	96	39.074655	39.074655	-4.22%
Forecast	97	41.721839	41.721839	6.77%

U.S. Oil and Gas Royalties

Under the federal Mineral Lands Leasing Act, 50 percent of all money received from federal lands in Montana must be shared with the state to be used by the subdivisions of the state for social or economic impacts of the development of minerals. The revenue produced on federal public land includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Prior to fiscal 1987, these revenues were distributed 62.5 percent to the SEA and the remainder to the highway gas tax account. Since the beginning of fiscal 1987, U.S. oil and gas receipts have been distributed entirely to the SEA. The state receives these revenues monthly. Beginning in fiscal 1996, this revenue will be deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature.

Although receipts from federal lands had been generally increasing since the middle 1970's, the growth is dependent on the price of oil and the amount of coal produced on federal lands. Receipts in the 1997 biennium are expected to be between $23 million and $24 million dollars annually.



	FY	Total Collections Millions	SEA Collections Millions	Percent Change
	73			
	74			
	75	4.769844	2.384922	
	76	4.486108	2.243054	−5.95%
	77	7.277042	3.634904	62.05%
	78	7.083336	4.426413	21.78%
	79	7.970116	5.148922	16.32%
	80	8.233983	5.146239	−0.05%
	81	11.808646	7.380404	43.41%
	82	15.508995	9.693122	31.34%
	83	18.468843	11.543027	19.08%
	84	23.917880	14.948556	29.50%
	85	23.708214	14.817634	−0.88%
	86	20.207422	12.629639	−14.77%
	87	23.433021	23.433021	85.54%
	88	26.327798	26.327798	12.35%
	89	20.727404	20.727404	−21.27%
	90	20.240644	20.240644	−2.35%
	91	21.928394	21.928394	8.34%
	92	21.150278	21.150278	−3.55%
	93	21.799728	21.799728	3.07%
	94	22.052161	22.052161	1.16%
Forecast	95	23.164857	23.164857	5.05%
Forecast	96	23.786928	23.786928	2.69%
Forecast	97	23.209111	23.209111	−2.43%

Other Revenue Sources

There are a number of other taxes, fees, and fines that historically have generated less than $2.5 million each in general fund revenue each year.

The statutes governing these taxes, fees, and fines are frequently changed, making the comparison of tax years difficult. If all these revenue sources are treated as a group, however, general trends can be identified.

Since fiscal 1981, revenues in this category have grown an average of 4.6 percent per year after adjusting for one-time receipts. From fiscal 1986 through fiscal 1992, however, revenues increased more slowly at an average of 3.9 percent. In the last few years, the revenue from miscellaneous sources has been highly variable due to changes in accounting methods, one-time transfers due to legislation, and the imposition of the 7 percent surtax on various taxes. The revenue estimates for 1995 through 1997 have been adjusted for these changes.

Included in this category is the anticipated revenue from transfers from the capitol land grant account. This component is estimated separately after the 3.9 percent general growth rate is applied.

As part of the "budget balancers" adopted during the January and July 1992 special sessions, the legislature approved a number of one-time transfers of fund balances and revenues that were included in this revenue component during the 1993 biennium.

In addition, the legislature during the July 1993 special session imposed a 7 percent surtax for one year on a number of the revenue sources in this category, including: accommodations tax, cement and gypsum tax, and new car sales tax. The surtax collected on these revenue sources was deposited in the general fund.

Fiscal 1992 collections were also increased by an executive decision to change from a "modified" to a "full" accrual accounting process.

The table below summarizes the fiscal impact of the 1995 legislative bills which affect other general fund revenue in the 1997 biennium.

Table 12
Other Revenue Bills

Bill	Title	General Fund Impact (In Millions) FY96	FY97	Biennium
HB294	Increase Penalty for Passing in No-Pass Zone	0.010	0.013	0.023
HB301	Amend Definitions of Health Care Facilities	0.003	0.003	0.006
HB372	Eliminate Double Exam and Fees - Inv. Advisor	(0.026)	(0.029)	(0.055)
HB449	Auditor Offset Delinquent Property Tax	0.023	0.041	0.064
HB601	Repeal Contractor's License Requirements	(0.255)	(0.255)	(0.510)
SB049	Revise Certain GVW Fees and Fleet Licensing Laws	0.036	0.036	0.072
SB083	Revise Revenue Dedication Laws	7.855	7.907	15.762
SB156	Revise Law Relating to University System	0.000	1.024	1.024
SB209	Reform Welfare	0.012	0.595	0.607
SB210	Revise Fish & Game Criminal Laws & Residency Requirements	0.124	0.124	0.248
SB253	Create Insurance Fraud Prevention Act	0.025	0.025	0.050
SB378	Deregulation of Certain Motor Carriers	(0.019)	(0.019)	(0.038)
Total		$7.788	$9.465	$17.253

REVENUE ESTIMATES

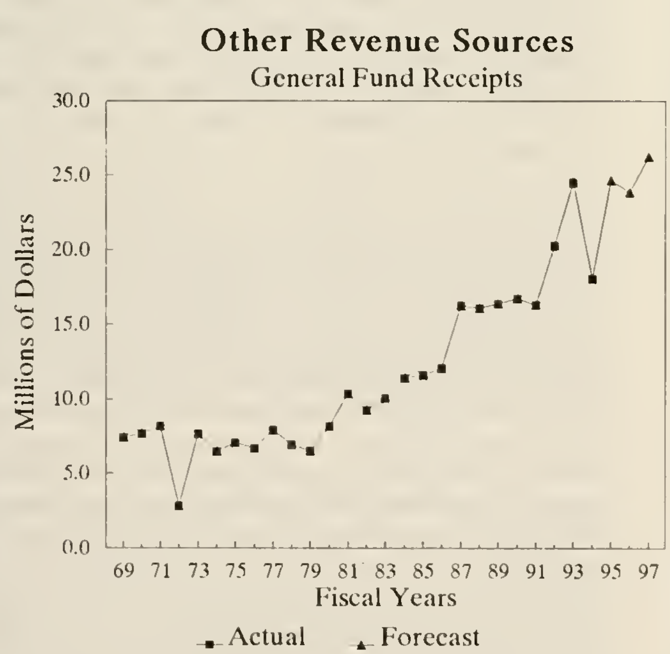
The largest impact to general fund revenue is the result of Senate Bill 83, which de-earmarked revenue flowing into special revenue accounts. SB 83 de-earmarked $14.2 million in revenues not already accounted for in the revenue sources described above. Of this, $13.3 million derives from the nursing facility fee, which was deposited in a special account for use by the Department of Social and Rehabilitation Services.

Education\Local Impact Trust Interest Earnings

Until July 1, 1995, the local impact account received 6.65 percent of annual coal severance tax revenues. The local impact account is administered by the coal board which provides grants from the account to local governments, state agencies and governing bodies of federally recognized Indian tribes. These governmental units may use the money to ameliorate the impacts of coal development in their jurisdictions. Any unexpended portion of the account must be invested by the Board of Investments and any interest or earnings was to be deposited in the SEA. Beginning in fiscal 1996, these earnings are deposited in the general fund, as per SB 83.

Before July 1, 1995, at the end of each year, any unexpended balances in the local impact account was deposited in the SEA. Beginning July 1, 1995, any unexpended balance must be deposited in the general fund, as per SB 83. Before fiscal 1994, the deposition was required on a biennial basis, however, this was changed to an annual basis in HB 350, passed by the 1993 legislature.

The legislature sharply reduced the appropriation in HB 2 for local impact grants for the 1997 biennium relative to recent grant levels. The legislature approved $1.187 for local impact grants and administration from the local impact account during the 1997 biennium. The residual equity transfer from the local impact account to the general fund at the end of fiscal 1996 and 1997 will total $4.089 million. The ROC revenue estimates assumed only $.523 million in residual equity transfers from this revenue source.



	F Y	Total Collections Millions	General Fund Collections Millions	Percent Change
	73	7.682533	7.682533	
	74	6.483429	6.483429	−15.61%
	75	7.055104	7.055104	8.82%
	76	6.689457	6.689457	−5.18%
	77	7.920975	7.920975	18.41%
	78	6.952651	6.952651	−12.22%
	79	6.499864	6.499864	−6.51%
	80	8.167768	8.167768	25.66%
	81	10.364201	10.364201	26.89%
	82	9.241142	9.241142	−10.84%
	83	10.062807	10.062807	8.89%
	84	11.437934	11.437934	13.67%
	85	11.623535	11.623535	1.62%
	86	12.105944	12.105944	4.15%
	87	16.294540	16.294540	34.60%
	88	16.116586	16.116586	−1.09%
	89	16.405636	16.405636	1.79%
	90	16.740072	16.740072	2.04%
	91	16.312579	16.312579	−2.55%
	92	20.323983	20.323983	24.59%
	93	24.552117	24.552117	20.80%
	94	18.093651	18.093651	−26.31%
Forecast	95	24.653244	24.653244	36.25%
Forecast	96	23.854499	23.854499	−3.24%
Forecast	97	26.236908	26.236908	9.99%

TRUST FUNDS -- BALANCES AND INTEREST EARNINGS

Trust Fund Balances

Montana has a number of constitutional and statutory trusts that provide interest to fund state government operations. While the legislature has spent the principal of the education trust and slowed the flow of revenue into the Parks Acquisition and Resource Indemnity Tax trusts, substantial balances remain. By the end of the 1997 biennium, the balances in all trusts are expected to reach $1.05 billion.

Table 1 shows the history of the eight major trusts since fiscal 1973. Forecasted amounts are shown for fiscal 1995, 1996, and 1997 and are based on assumptions adopted by the 1995 legislature. Following is a description of each trust and the income it generates. Also shown are expected interest earnings from each trust in fiscal 1995, 1996, and 1997.

Constitutional Trusts

Permanent Coal Tax Trust

Article IX, section 5 of the Montana Constitution requires that at least 50 percent of all coal severance tax revenue be deposited in a permanent coal tax trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a vote of three-fourths of the members of each house of the legislature." By statute, interest earned on this trust that is not earmarked for other programs is distributed 85 percent to the general fund and 15 percent to the school equalization account. As described below, some of the interest earned on the trust is earmarked for other programs.

The interest earned on the permanent coal tax trust fund is an important general fund revenue source. During the period fiscal 1981 through fiscal 1994, $433.2 million in interest from this trust was deposited in the general fund. In fiscal 1994, permanent coal tax trust fund interest provided 7.4 percent of total revenue to the general fund.

Initiative 95, approved by voters in 1982, required that 25 percent of the revenue deposited in the permanent coal tax trust after June 30, 1983, be placed in the in-state investment trust fund for investment in the Montana economy "with special emphasis on investments in new or expanding locally owned enterprises." The 1991 legislature: 1) eliminated separate accounting for the in-state investment trust; and 2) instructed the Board of Investments to "endeavor to invest up to 25% of the permanent coal tax trust fund" in the Montana economy.

The 1989 and 1991 legislatures authorized the Montana Science and Technology Alliance (MSTA) the use of $12.6 million from the in-state investment fund for investment in new and expanding technology-based Montana businesses and for research and development project loans. The 1993 Legislature authorized MSTA to invest an additional $11.0 million from the in-state investment program. As of November 1994, $15 million had been loaned to Montana businesses.

The payback of principal from MSTA loans returns to the trust. Before July 1, 1993, the interest from MSTA loans was distributed in the same manner as other interest earned on the permanent coal tax trust fund. House Bill 394, enacted by the 1993 legislature, created a special revenue account into which all interest earned from MSTA loans is deposited and from which MSTA expenses will be paid, with the balance returning to the trust.

Coal tax revenue flowing into the permanent coal tax trust fund is also used to secure state bonds issued to finance water resource development projects and activities. Since 1981 when the legislature authorized this bonding program, $86.6 million in water development projects throughout the state have been authorized with revenue from these bonds.

During the 1991 regular session, the legislature created the clean coal technology demonstration fund within the permanent coal tax trust fund and authorized the transfer of $25 million from the permanent coal tax trust fund into this subfund. In fiscal 1992 through fiscal 1997, an additional $5 million a year of the coal tax revenue allocated to the trust would have been deposited in this subfund. The legislation allowed this portion of the trust fund to be invested in loans for clean coal technology projects

approved by the legislature. The 1991 legislature approved the installation of MHD technology at the Corette power plant in Billings as the first clean coal technology project, making it eligible for a loan in the future. The 1993 legislature authorized a loan of up to $25 million for development, engineering, procurement and construction of the Billings MHD demonstration project, which would have been used to develop technologies for the production of electricity using clean coal. In order for a loan to be made, the legislature required at least a 4 to 1 federal match. In May, 1993 the U.S. Department of Energy declined to loan MHD Development Corporation funds for the project. As a result, the $25 million authorized to be transferred from the permanent coal tax trust fund to the clean coal technology demonstration fund was never transferred. Senate Bill 4 as enacted by the November 1993 Special Session repealed the section of the law authorizing this transfer.

The 1991 legislature also appropriated $3.25 million from the permanent coal tax trust fund for the Microbusiness Development Act. These funds provided capital to microbusiness development corporations that provide loans and technical assistance to qualified small businesses. Interest earnings and loan repayments were retained by the program to finance administrative costs and future loans.

During the January 1992 Special Session, the legislature authorized the creation of a school bond contingency loan fund within the permanent coal tax trust fund. The contingency fund provided up to $25 million in loan guarantees for school district bonds certified by the Department of Administration as meeting certification standards but for which subsequent litigation prevents collection of property taxes levied for debt service. School districts are required to repay any guarantee funds used. Interest on the contingency fund is distributed in the same manner as all other interest earned on the permanent coal tax trust fund. This legislation expired on January 1, 1993. House Bill 667, which was passed during the 1993 legislative session, provides Guaranteed Tax Base (GTB) aid to certain schools with bonds outstanding or bond issues contemplated. The source of funding for GTB aid was the school equalization account.

The contingency fund has provided backing for $23.4 million in school bonds for 14 schools. The average balance in the contingency fund has been slightly more than $2 million. The contingency fund will continue to exist for the next 20 years until these bonds are retired.

In the June 1992 election, voters approved a referendum to create the **treasure state endowment fund (TSEF)** within the permanent coal tax trust fund. The fund received a $10 million grant from the trust principal in fiscal 1994 and will receive half the funds deposited in the trust during fiscal 1995 through fiscal 2013. Interest earned on the TSEF will be used to finance local infrastructure projects, as prioritized by the departments of Commerce and Natural Resources and Conservation and authorized by the legislature.

During the November 1993 Special Session, the legislature authorized in Senate Bill 4 that the cash balance in the coal tax bond fund as of July 1, 1993 be deposited in the permanent coal tax trust fund. The total amount transferred was $31.1 million. In addition, any balance in the clean coal technology demonstration fund was transferred to the permanent coal tax trust fund.

SB 4 also changed the distribution mechanism by requiring the 50 percent coal severance tax revenue allocation be deposited in the TSEF and the permanent coal tax trust fund on an equal basis. Prior to SB 4, coal severance tax revenue earned on production taking place beginning July 1, 1993 was to have been deposited in TSEF. In the following fiscal year, one-half of the previous year's inflow was to have been deposited in the permanent coal tax trust fund and the TSEF was to retain the rest. Without SB 4, the permanent coal tax trust fund would not have received any coal severance tax revenue during fiscal 1994.

The 1993 legislature passed House Bill 401, which authorized a loan to the Department of Health and Environmental Sciences from the permanent coal tax trust fund for technical, litigation, and administrative expenses associated with the natural resource damage litigation suit against the Atlantic Richfield Company in the Clark Fork River Basin. The amount of the loan is $2.6 million for the 1995 biennium and $5.2 million

to repay principal and interest to the general fund for litigation costs incurred in the 1993 biennium. As of December 1994, $6.3 million had been withdrawn from the permanent coal tax trust to pay for litigation expenses.

The 1995 legislature enacted several measures which will affect permanent trust balances and interest income:

House Bill 305 authorizes a loan to the Department of Justice from the permanent coal tax trust for the purpose of conducting the litigation and natural resource claim against the Atlantic Richfield Company in the Clark Fork River Basin. The amount of the loan is $2,359,857 for the 1997 biennium. The bill also extends loans made for the same purpose during the 1995 biennium. As of May 18, 1995 $7.3 million had been withdrawn from the permanent coal tax trust to pay litigation expenses. HB 305 will reduce interest earnings from the coal tax trust deposited in the general fund by $.195 million during the 1997 biennium.

House Bill 354 expands appropriations for the Microbusiness Financing Act which provides loans to businesses employing less than ten employees and generating less than $500,000 in gross revenue annually. The expansion of this program doubles the current appropriation to $3.25 million of investable coal tax trust funds made available to the Microbusiness Finance Program in the Department of Commerce. Beginning July 1, 1995, HB 354 also increases maximum loan amounts per individual loan from $20,000 to $35,000. The program provides financing for working capital assets and fixed asset acquisition with more flexible repayment terms than those offered by commercial institutions. Payback of interest and principal of the loan amounts will be used for administrative purposes and for financing new microbusiness loans. The reduction in coal tax trust principal as a result of this bill will result in reduced interest earnings to the general fund in the amount of $.153 million during the 1997 biennium.

Senate Bill 38 authorizes the job investment act under which the Department of Commerce may loan a portion of the permanent coal tax trust to businesses to create and retain jobs in Montana. A loan to a qualified business may not exceed $500,000 and the department is to report annually to the Revenue Oversight Committee. The legislation also reduced the amount of permanent coal tax trust funds that the Board of Investments allows the Montana Board of Science and Technology Development to invest in seed capital loans and mezzanine loans from $15.5 million to $12.5 million. The bill also increased the amount of permanent coal tax trust funds available for research and development projects from $8.1 million to $11.1 million. In the past these funds were used primarily as loans to the University system. Under SB 38, these funds will be granted to the university system for research and development projects. The reduction in coal tax trust principle as a result of the bill will result in reduced interest earnings to the general fund in the amount of $.114 million during the 1997 biennium.

Senate Bill 83 abolished the distribution of coal trust interest to the SEA. Under current law, 15 percent of coal trust interest earnings are deposited in the SEA and 85 percent in the general fund. As a result of SB 83, 100 percent of coal trust interest earnings will be deposited in the general fund in fiscal 1996 and beyond.

Common School Trust

Article X, sections 2 and 3 of the Montana Constitution requires that all royalties and other proceeds received from school lands granted to the state under the federal enabling act must be deposited in the common school trust fund and "shall forever remain inviolate, guaranteed by the state against loss or diversion." Article X, section 5 requires that 95 percent of the interest from this trust be used for school equalization, with the remaining 5 percent reinvested in the trust. In addition, 95 percent of all rents, royalties, and other income received from leasing of school lands is to be used for school equalization with the remaining 5 percent invested in the trust.

During the January 1992 Special Session, the legislature passed HB 3, which provided that 95 percent of the revenue from state timber sales (approximately $4.9 million) would be deposited in the school equalization account during the 1993 biennium, with the remaining 5 percent deposited in the trust.

The 1993 legislature passed HB 652 which continues the practice of diverting 95 percent of timber revenue to the school equalization account during the 1995

biennium. The loss in revenue to the common school trust during the 1995 biennium will be approximately $9.1 million. HB 667, also passed during the 1993 legislative session, continues this practice indefinitely. The loss of revenue to the common school trust during the 1997 biennium will be approximately $9.7 million.

The 1995 legislature enacted several measures affecting revenue from state lands. House Bill 50 makes permanent certain provisions regarding the sale of timber on state lands. HB 50 will result in additional sales of timber during the 1997 biennium. However additional costs associated with the sale of timber will also be incurred. Since these costs are deducted from current timber sale revenues, there will be a loss of $297,000 in fiscal 1996 and an increase of $391,000 in fiscal 1997.

House Bill 201 requires the state to increase timber sales from state lands consistent with an annual sustainable yield of 45 million board feet to 55 million board feet, contingent on a study to determine the appropriate level of annual sustainable yield. HB 201 caps the amount of timber sale revenue deposited in the general fund (formerly the school equalization account, which was abolished in SB 83) from the common school trust at an average annual sale value of 18 million board feet. Any excess timber sale revenue from the common school trust is to be diverted to the general fund, but "earmarked" for deposit in school districts' newly established technology acquisition fund to buy technological equipment and provide technical training for school district personnel. No appropriation authority was provided for the expenditure of the money deposited in the technology acquisition fund during the 1997 biennium.

During the 1997 biennium no reduction in revenue is anticipated as a result of the cap on timber sale revenue from the common school trust since annual harvests are close to 18 million board feet. The cap may affect timber sale revenue from the common school trust that is deposited in the general fund in future biennia.

House Bill 201 does affect timber sale revenue because it diverts timber sale revenue before it is deposited in the general fund to pay for costs associated with increasing timber sales. The total revenue effect is expected to be a loss of $1.107 million to the general fund during the 1997 biennium.

House Bill 274 grants the Department of State Lands broader discretion to expedite sales of state timber in emergency situations and limited access situations. (Effective in fiscal 1996, as a result of the natural resources reorganization bill [SB 234], the forestry function was transferred from the Department of State Lands to the Department of Natural Resources and Conservation.) As a result of HB 274, timber sale revenue will increase and revenue deposited in the general fund is expected to increase by $.537 million during the 1997 biennium.

Senate Bill 83 de-earmarked all interest from the common school trust and income earned on common school lands. These revenues will henceforth flow into the general fund.

Resource Indemnity Trust

Article IX, section 2 of the Montana Constitution and title 35, chapter 38, MCA, require that certain resource extraction taxes be placed in a trust. The principal of the resource indemnity trust "shall forever remain inviolate in an amount of one hundred million dollars ($100,000,000), guaranteed by the state against loss or diversion." Once the principal of the trust reaches $100 million, any additional tax revenue may be appropriated. During the 1993 legislative session, the legislature passed House Bill 608 that decreased the amount of RIGWA tax proceeds deposited in the trust during the 1995 biennium from 85.9 percent per year to 55.9 percent, or approximately $5.0 million. The bill further reduced the amount of RIGWA revenue deposited in the trust to 45.9 percent beginning July 1, 1995.

During the July 1992 Special Session, the legislature imposed a one-year surtax on resource indemnity tax liability and allocated collections from the surtax to the general fund.

During the 1995 session, the legislature replaced a portion of RIGWA/tax proceeds with oil and gas tax proceeds due to a bill to simplify oil and gas taxes (SB

412). Also, the legislature diverted for other purposes the metal mines license tax proceeds that previously were deposited to the trust.

See the RIT discussion on page Revenue 82 for additional detail.

Statutory Trusts

Education Trust

From fiscal years 1976 through 1986, a portion of the revenue from the coal severance tax was allocated to the education trust for the support of education. The legislature appropriated the corpus of this trust to the school equalization account during the period fiscal 1987 through 1990. Since fiscal 1990, the education trust has not received revenue from any source and its balance is at zero.

Parks Acquisition/Arts Protection Trust

During most of the last 20 years, a portion of the coal severance tax has been earmarked for the parks acquisition trust. During the late 1980's, the flow of revenue into this account was diverted to the general fund. However, the principal began to increase again in fiscal 1990. Prior to fiscal 1992, two-thirds of the interest from this trust was statutorily allocated for acquisition and operation of state parks, and one-third was allocated for protection of works of art in the state capitol and other cultural and aesthetics projects.

The 1991 legislature split the principal of this trust into two separate trusts: a parks acquisition trust and an arts protection trust. During the 1993 biennium, the coal tax revenue that would have flowed into the parks acquisition trust (1.267 percent) was spent for maintenance of parks and historic sites, along with the interest from the trust. HB 687, passed during the 1993 legislative session, continues this practice for the 1995 biennium, directing $1.6 million from the trust to current operations. In the 1997 biennium, the coal tax revenue allocation will again be deposited in the trust. SB 27, passed by the 1995 legislature, increased the allocation to the parks acquisition trust from 1.267 percent to a 1.270 percent.

In fiscal 1992, 0.633 percent of coal severance tax revenues was deposited in the arts protection trust with the trust interest continuing to be used for protection of works of art and cultural projects. During the January 1992 Special Session, the legislature diverted a portion of the revenue that would have flowed into the arts protection trust in fiscal 1993 to fund the operations of the Montana Arts Council. Beginning in fiscal 1994, these revenues are again deposited in the trust. SB 27, passed by the 1995 legislature, decreased the allocation to the arts trust from .633 percent to .630 percent.

Noxious Weed Management Trust

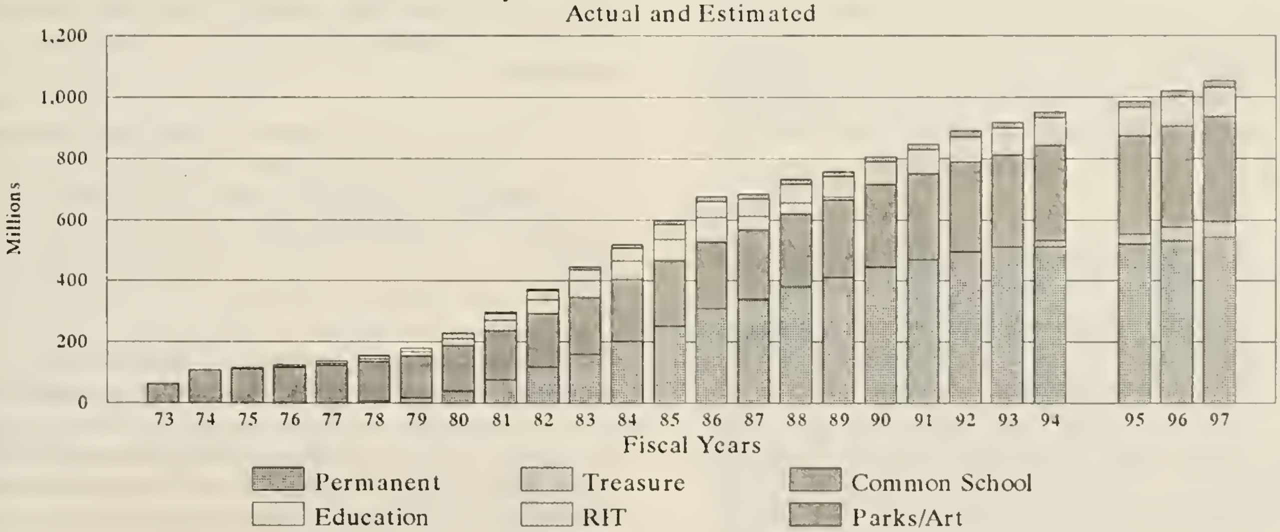
During the period fiscal 1986 through 1992, at least one-half of the collections from a 1.0 percent surcharge on the retail sale of herbicides was deposited in the noxious weed management trust fund. The remaining collections are spent for weed control grants. The interest earned on the trust is retained in the trust. After the principal of the trust reached $2.5 million in fiscal 1992, all herbicide surcharge collections and the interest earned on the trust are available for weed control grants.

TRUST FUNDS -- BALANCES AND INTEREST EARNINGS

Table 1
Selected Trust Fund Balances
Including Projected Investment Earnings

Fiscal Year	Permanent Coal Tax Trust Fund	Treasure St Endowment Trust Fund	Common School Trust Fund	Education Trust Fund	Resource Indemnity Trust Fund	Parks Acquisition Trust Fund	Arts Protection Trust Fund	Noxious Weed Trust Fund	Total Trust Funds
A 73	$0	$0	$64,223,773	$0	$0	$0	$0	$0	$64,223,773
A 74	0	0	108,998,870	0	1,141,385	0	0	0	110,140,255
A 75	0	0	113,064,188	0	3,287,456	0	0	0	116,351,644
A 76	0	0	117,849,628	2,227,793	5,552,291	278,725	0	0	125,908,437
A 77	0	0	123,281,528	6,039,530	8,232,247	758,308	0	0	138,311,613
A 78	6,268,262	0	129,949,247	8,983,763	10,646,851	1,174,356	0	0	157,022,479
A 79	16,940,538	0	137,716,735	12,339,549	12,574,209	1,475,732	0	0	181,046,763
A 80	39,964,765	0	147,527,943	23,905,146	16,204,531	3,565,371	0	0	231,167,756
A 81	75,187,459	0	163,163,556	33,624,170	21,165,464	5,325,746	0	0	298,466,395
A 82	118,336,314	0	176,467,865	44,338,477	28,328,946	7,480,418	0	0	374,952,020
A 83	158,358,806	0	189,390,417	52,665,410	36,181,889	9,481,542	0	0	446,078,064
A 84	202,936,358	0	201,319,109	60,925,268	42,986,128	11,565,460	0	0	519,732,323
A 85	252,420,524	0	214,764,544	70,500,922	47,396,179	13,859,181	0	0	598,941,350
A 86	309,384,250	0	217,677,906	79,761,708	53,039,675	16,222,131	0	443,184	676,528,854
A 87	339,883,180	0	227,687,073	44,091,429	56,861,627	16,613,608	0	824,550	685,961,467
A 88	381,180,287	0	239,553,633	33,671,110	61,750,961	16,581,042	0	1,070,972	733,808,005
A 89	411,838,993	0	254,128,428	8,651,477	66,665,000	16,608,706	0	1,320,720	759,213,324
A 90	446,511,416	0	268,496,362	0	72,811,618	17,936,701	0	1,688,370	807,444,467
A 91	470,322,655	0	280,326,496	0	77,324,921	18,882,548	0	2,121,973	848,978,593
A 92	496,465,569	0	291,753,603	0	82,489,898	12,588,366	7,051,506	2,584,254	892,933,196
A 93	511,474,640	0	300,782,863	0	86,890,369	12,538,119	6,863,579	2,534,844	921,084,414
A 94	511,754,471	20,520,830	310,735,129	0	89,316,268	12,538,119	7,025,290	2,518,875	954,408,982
Forcasted Fund Balance									
F 95	522,127,563	31,634,906	320,776,949	0	91,666,186	12,538,119	7,306,921	2,500,000	988,550,644
F 96	532,471,894	42,717,417	330,873,476	0	93,062,007	13,099,559	7,587,752	2,500,000	1,022,312,105
F 97	542,219,283	53,175,715	340,942,649	0	94,452,870	13,629,376	7,852,765	2,500,000	1,054,772,658
Forcasted Investment Earnings									
F 95	41,806,569	1,720,541	23,879,598	0	7,752,021	887,866	506,328	240,000	76,792,923
F 96	41,662,757	2,626,972	23,690,516	0	7,683,976	919,492	512,082	240,000	77,335,795
F 97	41,891,236	3,510,824	23,982,113	0	7,698,682	966,020	525,983	240,000	78,814,858

History of Selected Trust Fund Balances
Actual and Estimated



RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

RIT Trust

Article IX, section 2 of the Montana Constitution provides that certain taxes on the extraction of natural resources be deposited in a Resource Indemnity Tax (RIT) Trust. The principal of the trust up to $100 million "shall remain forever inviolate, guaranteed by the state against loss or diversion." Title 15, chapter 38, MCA, provides for a resource indemnity tax of 0.5 percent on all mineral production except production from metalliferous mines. These revenues are deposited in the trust until the principal reaches $100 million. Thereafter the tax revenue may be appropriated. Beginning in fiscal 1996, the trust will receive a portion of oil and gas production tax proceeds. Beginning in fiscal 1996, the 15.5 percent of the metal mines tax proceeds previously deposited to the trust will be allocated to other accounts.

RIGWA Tax Proceeds

The former RIT tax is now called the Resource Indemnity and Ground Water Assessment (RIGWA) Tax, with 45.9 percent of the proceeds deposited to the RIT trust. The remaining tax proceeds are distributed as required by two bills:

SB 94, passed by the 1991 legislature, established the ground water assessment account. The legislation directed that 14.1 percent of annual RIGWA tax proceeds be deposited in that account beginning in fiscal 1994 for the Montana Bureau of Mines to implement the Montana Ground Water Assessment Act. The allocation continues until the account's cash balance reaches $666,000, at which time the 14.1 percent of tax proceeds will be deposited in the RIT trust.

HB 608, passed by the 1993 legislature, directed that 30 percent of biennial RIGWA tax proceeds be deposited in state special revenue accounts used to support agency operations: 1) 15 percent to the reclamation and development account; and 2) 15 percent to the renewable resource grant and loan account (which combines the former water development and renewable resource accounts). This allocation continues through the 1995 biennium and increases to 40 percent in the 1997 biennium, 30 percent to the reclamation and development account and 10 percent to the renewable resource grant and loan account.

Oil and Gas Production Tax Proceeds

SB 412, passed by the 1995 legislature, was designed to simplify oil and gas production taxes by consolidating several different taxes into one. The portion of RIGWA tax proceeds generated by oil and gas production will be replaced by the new consolidated tax.

The bill was designed to be revenue neutral, but a one time revenue acceleration occurs in all accounts where RIGWA taxes were replaced because the consolidated tax is collected quarterly rather than annually. According to the fiscal note that accompanied SB 412, this acceleration increases revenues to four accounts in fiscal 1996: 1) $104,000 to the ground water assessment state special revenue account; 2) $74,000 to the renewable resource grant and loan program state special revenue account; 3) $221,000 to the reclamation and development grants account; and 4) $337,000 to the Resource Indemnity Trust Fund.

Metal Mines Tax Proceeds

Prior to the 1995 session, 15.5 percent of metal mines tax proceeds were deposited to the RIT. Diversions required by three bills passed by the 1995 legislature eliminate all deposits to the trust from metal mines tax proceeds.

SB 46 requires 2.2 percent of the proceeds to be deposited in the ground water assessment account for use by the Montana Bureau of Mines to administer the Montana Ground Water Assessment Act. This legislation applies retroactively to all metalliferous mines tax proceeds collected after December 31, 1994.

SB 382 requires 8.5 percent of the proceeds to be deposited in the new abandoned mines account for use by the Department of Environmental Quality in a pilot program to clean up and reclaim abandoned mines. This change is effective for fiscal 1996 and fiscal 1997. After fiscal 1997, the 8.5 percent distribution will be deposited in the RIT trust.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

HB 569 diverts 4.8 percent of the proceeds to the reclamation and development grants account. These proceeds will be used to fund various program costs in the Department of Natural Resources and Conservation, the Department of Environmental Quality, State Library Natural Resource Information Services, and the Environmental Quality Council. This legislation impacts the disbursement of proceeds beginning in fiscal 1996.

Allocation of RIT Trust Interest Earnings

Section 15-38-203, MCA, requires that the interest earned on the trust be used "to improve the total environment and rectify damage thereto." Section 15-38-202, MCA, earmarked these interest earnings in the following manner for the 1995 biennium:

1) At the beginning of the biennium, an amount not to exceed $175,000 to the environmental contingency fund. Funds in this account are statutorily appropriated for unanticipated public needs arising from certain disasters and emergencies, which may be used upon authorization of the Governor.

2) At the beginning of the biennium, an amount not to exceed $50,000 to the oil and gas mitigation account. Funds in this account are statutorily appropriated to the Board of Oil and Gas Conservation for the costs of plugging wells that have been abandoned and for whom no responsible party can be found.

3) $1.025 million biennially to the renewable resource grant and loan program state special revenue account for distribution as grants.

4) $2.200 million biennially to the reclamation and development grants state special revenue account for distribution as grants.

5) $0.250 million biennially to the water storage state special revenue account to provide loans and grants for water storage projects.

6) Of the remaining RIT trust interest earnings: a) 38.0 percent goes to the renewable resource grants and loan account for program and administrative costs; b) 41.5 percent goes to the reclamation and development grants account for program and administrative costs; c) 15.0 percent goes to the hazardous waste/CERCLA account for superfund activities; and d) 5.5 percent goes to the environmental quality protection fund for additional clean up activities.

Under the provisions of section 15-38-202, MCA, some allocations of RIT trust interest earnings will change for the 1997 biennium.

1) As in the 1995 biennium, at the beginning of the 1997 biennium, an amount not to exceed $175,000 to the environmental contingency fund. Funds in this account are statutorily appropriated for unanticipated public needs arising from certain disasters and emergencies, which may be used upon authorization of the Governor.

2) As in the 1995 biennium, at the beginning of the biennium, an amount not to exceed $50,000 to the oil and gas mitigation account. Funds in this account are statutorily appropriated to the Board of Oil and Gas Conservation for the costs of plugging wells that have been abandoned and for whom no responsible party can be found.

3) An increase in the amount of funding, totalling $2.0 million biennially, is allocated to the renewable resource grant and loan program state special revenue account for distribution as grants.

4) An increase in the amount of funding, totalling $3 million biennially, is allocated to the reclamation and development grants state special revenue account for distribution as grants.

5) An increase in the amount of funding, totalling $0.5 million biennially, is allocated to the water storage state special revenue account to provide loans and grants for water storage projects.

6) Of the remaining RIT trust interest earnings: a) 36 percent goes to the renewable resource grants and loan account for program and administrative costs; b) 40 percent goes to the reclamation and development grants account for program and administrative costs; c) 18 percent goes to the hazardous waste/CERCLA account for superfund activities; and d) 6 percent goes

to the environmental quality protection fund for additional clean up activities.

The Department of Natural Resources and Conservation administers two of the RIT interest accounts which are used for grants, loans, and administrative costs: the renewable resource grant and loan program account and the reclamation and development grant account. All grants and loans made from these accounts require legislative approval.

Renewable Resource Grant and Loan Account

This account, created in the 1995 biennium, combines the former water development and renewable resource accounts. Funds in the account are used for operation and maintenance of state-owned water projects and works, program administrative costs, and grants and loans for projects that enhance renewable resources in the state. Revenue to the account in the 1995 biennium included 15 percent of RIGWA tax proceeds, 38 percent of RIT trust interest earnings, 0.95 percent of coal severance tax collections exceeding debt service requirements, income from state owned water projects, and administrative fees. Loan repayments are deposited in the renewable resource debt service account.

Revenue to the account in the 1997 biennium includes 10 percent of RIGWA tax proceeds, a portion of oil and gas production tax proceeds, 36 percent of RIT trust interest earnings, 0.95 percent of coal severance tax collections exceeding debt service requirements, income from state owned water projects, and administrative fees. Loan repayments are to be deposited in the renewable resource debt service account.

Reclamation and Development Account

During the 1995 biennium, the reclamation and development account was funded with 15 percent of RIGWA tax proceeds and 41.5 percent of RIT trust interest earnings and is used for grants for designated projects and payment of administrative expenses.

During the 1997 biennium, the reclamation and development account will be funded with 30 percent of RIGWA tax proceeds, 4.8 percent of metal mines tax proceeds, a portion of oil and gas production tax proceeds, and 40 percent of RIT trust interest earnings and is used for grants for designated projects and payment of administrative expenses.
The two other accounts receiving RIT interest earnings are the hazardous waste/CERCLA account and the environmental quality protection fund, which are administered by the Department of Environmental Quality.

Hazardous Waste/Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Account

Funds in this account are used for implementation of the Montana Hazardous Waste Act, for the state's share of CERCLA, and for state expenses related to investigation of specifically defined hazardous waste.

Environmental Quality Protection Fund

Funds in this account are used to address problems caused by the release of hazardous wastes at sites not listed in the federal superfund priority list.

1995 Biennium Revenue and Appropriations

The following table shows RIGWA tax proceeds projections, RIT trust interest projections, and anticipated revenue to and expenditures from the RIT interest accounts during the 1997 biennium. The table reflects HJR 9 revenue estimates and appropriations authorized by the 1995 legislature.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

TABLE 2
RIGWAT AND OIL AND GAS TAX PROCEEDS, RIT TRUST INTEREST EARNINGS, AND EXPENDITURES

RIGWAT PROCEEDS PROJECTIONS	Total RIGWAT and Oil & Gas Tax Proceeds	RIGWAT and Oil & Gas Tax Proceeds to Trust	Metal Mine Tax Proceeds to Trust	Total Deposits to RIT Trust	Forecast Trust Balance
FY 95	$2,979,674	1,666,638	$684,280	2,349,918	$91,663,530
FY 96	3,777,004	1,732,821		1,732,821	93,396,360
FY 97	3,063,203	1,405,863		1,405,863	94,802,214

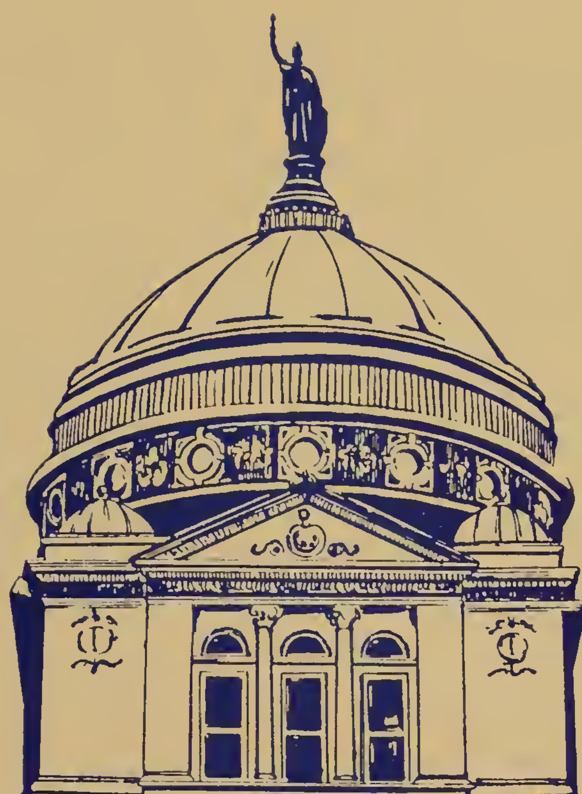
RIT TRUST INTEREST EARNINGS PROJECTIONS *	FY96	FY97	TOTAL
	7,683,976	7,698,682	15,382,658

TOTAL 1997 BIENNIUM ALLOCATION OF RIT INTEREST EARNINGS		$15,382,658
Environmental Contingency Account	$175,000	
Oil & Gas Production Damage Mitigation Account	50,000	
Renewable Resource Grant & Loan Program	2,000,000	
Reclamation & Development Grants	3,000,000	
Water Storage Account	500,000	
TOTAL BIENNIAL APPROPRIATIONS		$5,725,000
AMOUNT AVAILABLE FOR FURTHER DISTRIBUTION		$9,657,658

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA	Environmental Quality Protection	TOTAL
Percent Distribution of RIT Interest	36%	40%	18%	6%	100%
Beginning Balance	$673,742	$0	$968,414	$1,300,000	$2,942,156
Revenues					
RIT Interest	$3,476,757	$3,863,063	$1,738,378	$579,459	$9,657,658
RIGWAT and Oil & Gas Tax Proceeds	684,121	2,052,362			$2,736,483
Grants not Funded	239,000				239,000
Metal Mines Tax Proceeds		525,160			525,160
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			80,000		80,000
Cost Recoveries				688,816	688,816
Administrative Fees	10,000				10,000
State Owned Project Revenue	919,290				919,290
Total Funds Available	$7,161,254	$6,440,585	$2,786,792	$2,568,275	$18,956,907
Appropriations					
Montana State University, Northern (Statutory)	480,000				480,000
DNRC Centralized Services Division	633,043	154,001			787,044
DNRC (DSL prior to SB 234) Central Management		78,086			78,085
DNRC Conservation and Resource Development	1,288,981	976,958			2,265,939
DNRC Water Resources Division	1,048,611	1,997,129			3,045,740
DNRC Reserved Water Rights Compact Commission	34,742	534,199			568,941
DNRC State Water Projects	2,190,000				2,190,000
DEQ (DSL prior to SB 234) Reclamation Division		1,835,507			1,835,507
DEQ (DHES prior to SB 234) Air Quality Division Radon		50,000			50,000
DEQ (DHES prior to SB 234) Remediation Division			236,971	1,976,174	2,213,145
DEQ (DHES prior to SB 234) Water Quality Division			1,393,165		1,393,165
DEQ (DHES prior to SB 234) Waste Management Division			1,164,575		1,164,575
Governor's Office -- Flathead Basin Commission	80,082				80,082
Water Court	1,038,389				1,038,389
State Library	322,007	285,036			607,043
Environmental Quality Council		28,083			28,083
Pay Plan	67,488	223,083	39,587	7,556	337,714
Total Appropriations	$7,183,343	$6,162,081	$2,834,298	$1,983,730	$18,163,452
Projected Biennium Ending Balance	($22,089)	$278,504	($47,506)	$584,545	

* INTEREST IMPACTS DUE TO QUARTERLY COLLECTIONS OF OIL AND GAS TAX PROCEEDS ARE NOT FULLY REFLECTED. QUARTERLY COMPOUNDING OF INTEREST WILL CAUSE SLIGHTLY HIGHER EARNINGS PROJECTIONS THAN THOSE LISTED, BUT THE INCREASE IS NOT CONSIDERED TO BE SIGNIFICANT



HOUSE JOINT RESOLUTION 9

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL ESTIMATE OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 1996-97 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING THE JUNE 30, 1994, GENERAL FUND AND STATE EQUALIZATION AID ACCOUNT BALANCES THAT WERE ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; REQUESTING THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING TO USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 1995-96 AND 1996-97; AND ESTABLISHING AN ESTIMATE OF THE NONGENERAL FUND REVENUE FOR THE STATE EQUALIZATION AID ACCOUNT.

WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal period, containing in detail for all operating funds the proposed expenditures and estimated revenue of the state; and

WHEREAS, Article VIII, section 9, of the Montana Constitution prohibits the Legislature from appropriating funds in excess of the anticipated revenue of the state; and

WHEREAS, section 5-18-107(5), MCA, requires the Revenue Oversight Committee to estimate the amount of revenue projected to be available for legislative appropriation and to introduce legislation setting forth the Committee's current revenue estimate for the biennium; and

WHEREAS, section 5-12-302(6), MCA, requires the Office of Legislative Fiscal Analyst to assist the Revenue Oversight Committee in its revenue estimating duties; and

WHEREAS, the Montana Legislature revised the taxation of railroad car companies during the July 1992 Special Session; and

WHEREAS, several railroad car companies challenged the constitutionality of the new tax; and

WHEREAS, because the outcome of the challenge to the railroad car company tax is uncertain, the Revenue Oversight Committee did not include, as a precautionary position, any anticipated revenue from the tax in the revenue estimates; and

WHEREAS, because of the complexity of economic variables involved in revenue forecasting and the diversity of sources from which state revenue is obtained, it has become increasingly difficult to project revenue in order to prepare a balanced budget for the ensuing biennium; and

WHEREAS, the revenue estimates contained in this resolution provide the basis for a comprehensive analysis of the state's financial condition; and

WHEREAS, it is in the best interests of the state that revenue forecasts be discussed and arrived at in public hearings at which all the people may attend and participate.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the state general fund revenue for fiscal years 1995, 1996, and 1997 be estimated to be $642,221,000, $664,839,000, and $690,523,000, respectively, and that the state equalization aid revenue for fiscal years 1995, 1996, and 1997 be estimated to be $292,292,000, $295,741,000, and $302,361,000, respectively.

BE IT FURTHER RESOLVED, that the Legislature accept for budget purposes the unreserved fund balance of $32,592,000 for the general fund and $17,109,000 for the state equalization aid account, prepared according to generally accepted accounting principles as published in the audited state financial statements as of June 30, 1994.

BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates (and the underlying assumptions) contained in this resolution as the official revenue estimates for fiscal years 1995-96 and 1996-97.

GENERAL FUND AND STATE EQUALIZATION AID ACCOUNT REVENUE

The projections for total general fund and state equalization aid account revenue during the 1996-97 biennium are based on an assumption of a continuation of Montana law as it existed on January 1, 1995.

The revenue estimates contained in the following tables are based on the assumptions stated previously in this resolution and those listed in the following tables.

ECONOMIC ASSUMPTIONS

Revenue Oversight Committee

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
Montana Population & Employment					
	Population July 1 (Millions)	0.846	0.852	0.858	0.864
	Population >= 16 July 1 (Millions)	0.638	0.642	0.647	0.651
	Population 18-24 July 1 (Millions)	0.079	0.081	0.082	0.082
CY	Nonfarm Employment (Thousands)	333.400	340.400	347.600	354.300
Montana Income					
CY	Total Personal Income (Millions)	$15,560.485	$16,391.222	$17,175.693	$18,038.229
CY	Net Farm Income (Millions)	$537.886	$545.061	$579.065	$582.913
CY	Disposable Personal Income (Millions)	$13,638.308	$14,366.141	$15,053.426	$15,809.091
CY	Nonfarm Wage & Salary Income (Millions)	$7,391.453	$7,799.040	$8,244.573	$8,694.209
Montana Individual Income Tax					
CY	Nonfarm Wage & Salary Growth (Percent Change)	5.27%	4.93%	5.11%	4.88%
CY	Interest & Dividend Growth (Percent Change)	2.17%	8.45%	5.54%	3.68%

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
CY	Net Business Income (Percent Change)	6.90%	1.80%	2.00%	2.10%
CY	Capital Gains/Losses Income (Percent Change)	4.70%	4.70%	4.70%	4.70%
CY	Rent/Royalty/Partnership Income (Percent Change)	8.00%	8.00%	8.00%	8.00%
CY	All Other Income (Percent Change)	5.18%	5.55%	7.16%	6.50%
FY	Individual Income Tax Audits (Millions)	$20.241	$18.000	$18.000	$18.000
Montana Corporate Income Tax					
CY	US Corporate Profits Before Taxes (Billions)	$495.700	$520.000	$545.500	$572.200
CY	MT Corporate Taxable Income (Millions)	$1,002.137	$1,060.858	$1,125.013	$1,203.068
FY	Corporate Income Tax Audits (Millions)	$7.547	$7.500	$7.500	$7.500
Inflation & Interest Rates					
CY	Consumer Price Index (Percent Change)	2.63%	3.30%	3.52%	3.53%
CY	Short-Term Interest Rate (Percent)	4.41%	5.18%	5.44%	5.80%
CY	Long-Term Interest Rate (Percent)	7.75%	8.02%	7.96%	7.81%
FY	Short-Term Interest Rate (Percent)	3.68%	4.73%	5.29%	5.59%
FY	Long-Term Interest Rate (Percent)	7.38%	7.86%	8.00%	7.90%
FY	TCA Blended Interest Rate (Percent)	3.79%	4.95%	5.45%	5.72%
FY	TRANS Interest Spread (Percent)	0.61%	0.87%	1.04%	1.13%
FY	Treasury Cash Average Balance (Millions)	$310.571	$300.695	$286.075	$274.016
FY	TRANS Issue Size (Millions)	$88.900	$70.100	$70.100	$70.100

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
FY	Permanent Trust Gains/Losses (Millions)	$4.478	$2.239	$1.120	$0.560
FY	Common School Trust Gains/Losses (Millions)	$4.327	$2.163	$1.082	$0.541
FY	Resource Indemnity Trust Gains/Losses (Millions)	$1.122	$0.561	$0.281	$0.141
FY	Parks Trust Gains/Losses (Millions)	$0.000	$0.000	$0.000	$0.000
FY	Arts Trust Gains/Losses (Millions)	$0.081	$0.041	$0.021	$0.011
Natural Resource Tax					
CY	Total Oil Production (Million bbls.)	16.825	15.780	15.016	14.313
CY	Severance Tax Oil Production (Million bbls.)	15.738	14.968	14.248	13.575
CY	Montana Oil Price (Per bbl.)	$13.380	$14.238	$14.891	$16.271
CY	Total Coal Production (Million tons)	37.920	38.657	37.964	34.955
CY	Montana Coal Price (CSP per ton)	$7.792	$7.830	$7.817	$7.658
FY	Coal Tax Credits (Millions)	$0.000	$0.000	$0.000	$0.000
CY	Total Natural Gas Production (MMCF)	51.557	52.114	52.643	53.145
CY	Montana Natural Gas Price ($ / MCF)	$1.591	$1.627	$1.680	$1.734
CY	Total Liquid Gas Production (Million gallons)	6.793	6.866	6.936	7.002
CY	Montana Liquid Gas Price ($ / Gallon)	$0.225	$0.230	$0.238	$0.246
CY	Copper Production (Million lbs.)	108.213	114.135	99.185	100.289
CY	Silver Production (Million ozs.)	2.143	2.206	2.266	2.291
CY	Gold Production (Million ozs.)	0.407	0.457	0.427	0.432

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
CY	Lead Production (Million lbs.)	8.770	8.770	8.951	9.051
CY	Zinc Production (Million lbs.)	20.716	20.716	21.069	21.303
CY	Molybdenum Production (Million lbs.)	8.100	9.600	10.300	10.415
CY	Palladium Production (Million ozs.)	0.205	0.213	0.218	0.220
CY	Platinum Production (Million ozs.)	0.063	0.066	0.063	0.064
CY	Nickel Production (Million lbs.)	0.237	0.303	0.345	0.349
CY	Rhodium Production (Million ozs.)	0.002	0.002	0.002	0.002
CY	Copper Price ($ / lbs.)	$0.643	$0.643	$0.643	$0.643
CY	Silver Price ($ / ozs.)	$3.765	$3.765	$3.765	$3.765
CY	Gold Price ($ / ozs.)	$360.443	$360.443	$360.443	$360.443
CY	Lead Price ($ / lbs.)	$0.190	$0.190	$0.190	$0.190
CY	Zinc Price ($ / lbs.)	$0.430	$0.430	$0.430	$0.430
CY	Molybdenum Price ($ / lbs.)	$2.045	$2.045	$2.045	$2.045
CY	Palladium Price ($ / ozs.)	$115.586	$115.586	$115.586	$115.586
CY	Platinum Price ($ / ozs.)	$349.210	$349.210	$349.210	$349.210
CY	Nickel Price ($ / lbs.)	$2.148	$2.148	$2.148	$2.148
CY	Rhodium Price ($ / ozs.)	$1,020.561	$1,020.561	$1,020.561	$1,020.561
CY	Total Metal Value (Millions)	$299.302	$326.616	$308.021	$311.447
FY	Total Federal Forest Receipts (Millions)	$55.420	$57.914	$48.510	$47.562

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
Property Value					
FY	Total Statewide Taxable Valuation (Millions)	$1,707.993	$1,763.019	$1,814.833	$1,869.654
FY	Net/Gross Proceeds Taxable Valuation (Millions)	$15.927	$13.623	$12.913	$13.738
FY	All Other Taxable Valuation (Millions)	$1,692.066	$1,749.397	$1,801.919	$1,855.917
FY	Statewide Vehicle Valuation (Millions)	$2,645.436	$2,776.294	$2,896.293	$3,005.822
Consumption Tax					
FY	Liquor Unit Sales (Millions)	$4.868	$4.771	$4.675	$4.582
FY	Wine Unit Sales (Millions)	0.000	0.000	0.000	0.000
FY	Liquor Cost Per Unit	$10.060	$10.359	$10.712	$11.090
FY	Wine Cost Per Unit	$10.917	$0.000	$0.000	$0.000
FY	Liquor Net Sales (Millions)	$38.672	$38.612	$39.139	$39.717
FY	Liquor Operations Budget (Millions)	$7.058	$7.058	$6.232	$6.356
FY	Beer Barrels (Millions)	0.755	0.766	0.773	0.773
FY	Wine Liters (Millions)	4.746	4.578	4.416	4.259
FY	Cigarette Packs (Millions)	70.757	69.800	68.936	68.407
FY	Tobacco Value (Millions)	$10.631	$11.443	$12.306	$13.225
FY	Gallons of Gasoline (Millions)	476.695	479.951	484.706	488.502
FY	Gallons of Diesel (Millions)	162.110	165.760	170.915	176.335
FY	Video Machine Net Income (Millions)	$199.524	$219.830	$239.887	$262.852

Year	Assumption	CY/FY 1994	CY/FY 1995	CY/FY 1996	CY/FY 1997
FY	Total Lottery Sales (Millions)	$37.483	$38.169	$38.867	$39.575
FY	Insurance Premiums Growth (Percent Change)	7.74%	4.00%	4.00%	4.00%
FY	Insurance Premiums Tax Credit (Millions)	$4.053	$3.007	$2.463	$2.463
FY	Police & Firefighter Retirement (Millions)	$8.752	$9.430	$10.420	$11.014
CY	Telephone Taxable Income (Millions)	$224.112	$226.802	$229.523	$232.966
CY	Kilowatt-Hours Produced (Millions)	21,730.433	21,995.656	22,451.941	22,535.002
Other					
FY	Medicaid Reimbursements (Millions)	$12.728	$13.120	$14.065	$14.507
FY	MDC Debt Service (Millions)	$0.000	$0.000	($0.477)	($1.089)

Current Law

General Fund Revenue Estimates

(In Millions)

Source of Revenue	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Individual Income Tax	$338.062	$358.453	$374.788
Corporation License Tax	59.303	62.477	66.079
Coal Severance Tax	6.883	6.903	6.519
Oil Severance Tax	10.984	10.632	10.827
Interest on Investments	14.884	15.591	15.668

Source of Revenue	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Long-Range Bond Excess	48.612	50.910	52.909
Coal Trust Interest Income	35.536	35.532	35.881
Insurance Premiums Tax	24.087	25.108	26.040
Public Institutions Reimbursement	15.881	16.449	16.359
Liquor Profits	3.261	4.235	4.271
Liquor Excise Tax	6.275	6.360	6.452
Inheritance Tax	11.176	11.500	11.804
Metal Mines Tax	2.984	3.266	3.080
Electrical Energy Tax	4.076	4.146	4.196
Driver's License Tax	2.138	2.149	2.165
Telephone License Tax	4.023	4.072	4.127
Beer License Tax	1.380	1.391	1.391
Natural Gas Severance Tax	1.465	1.531	1.634
Railroad Car Tax	0.000	0.000	0.000
Wine Tax	0.733	0.707	0.681
Video Gaming Income Tax	10.991	11.994	13.143
Motor Vehicle Account	9.980	10.246	10.520
Vehicle Fees	3.887	4.055	4.208
Public Contractor's Tax	0.967	1.067	1.011

Source of Revenue	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Other Revenue Sources	24.653	16.065	16.770
Grand Total	$642.221	$664.839	$690.523

Current Law

State Equalization Aid Account Revenue Estimates

(In Millions)

Source of Revenue	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
State Revenue			
Individual Income Tax	$0.000	$0.000	$0.000
Corporation License Tax	0.000	0.000	0.000
Coal Severance Tax	5.098	5.114	4.829
Coal Tax Trust Interest	6.271	6.270	6.332
Interest & Income	40.796	39.755	41.515
US Oil & Gas Royalties	23.165	23.787	23.209
Education Trust Interest	0.166	0.106	0.069
State Equalization Aid Account Interest	0.095	0.095	0.095
County Revenue	127.231	129.349	132.659
Statewide 40 Mills	79.792	82.078	84.469
Lottery	8.678	8.842	9.005

Source of Revenue	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Miscellaneous	1.000	0.345	0.179
County Levy Surplus	0.000	0.000	0.000
Total State	$292.292	$295.741	$302.361
Statewide Taxable Valuation	$1,763.019	$1,814.833	$1,869.654
County Revenue			
Statewide 55 Mills	$97.088	$99.931	$102.953
Elementary Transportation	0.000	0.000	0.000
Cash Reappropriated	0.000	0.000	0.000
Forest Funds	2.725	2.283	2.238
Taylor Grazing	0.147	0.146	0.146
Miscellaneous	28.237	27.956	28.290
High School Tuition	(0.968)	(0.968)	(0.968)
Other Adjustments	0.000	0.000	0.000
Total County (Totals Included in State Revenue)	$127.229	$129.348	$132.659
Total General Fund/School Equalization Aid Account	$934.513	$960.580	$992.884

-END-

I hereby certify that the within bill,

HJ 0009 originated in the House.

____

Chief Clerk

____

Speaker of the House

Signed this ______ day

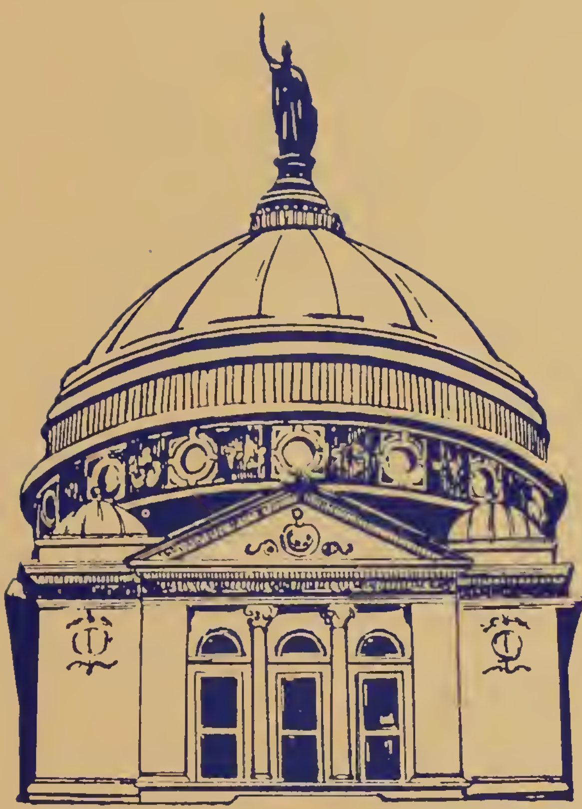
of ____________ 1995.

____

President of the Senate

Signed this ______ day

of ____________ 1995.



APPROPRIATIONS BY AGENCY AND PROGRAM

APPROPRIATIONS BY AGENCY AND PROGRAM

This summary of the layout and composition of the "Appropriations by Agency and Program" section is designed to provide the reader with a "road map" for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action, and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

Agency Subcommittee Groupings

GENERAL GOVERNMENT AND TRANSPORTATION

- Legislative Branch
  - Legislative Auditor
  - Legislative Fiscal Analyst
  - Legislative Council
  - Environmental Quality Council
- Consumer Counsel
- Judiciary
- Montana Chiropractic Legal Panel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Transportation
- Revenue
- Administration
- Appellate Defender Commission
- Public Employees' Retirement Board
- Teachers' Retirement Board

HEALTH AND HUMAN SERVICES

- Labor and Industry
- Public Health & Human Services

NATURAL RESOURCES AND COMMERCE

- Public Service Regulation
- Fish, Wildlife, and Parks
- Environmental Quality
- Livestock
- Natural Resources and Conservation
- Agriculture
- Commerce

INSTITUTIONS AND PUBLIC SAFETY

- Board of Crime Control
- Justice
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Corrections
- Military Affairs

EDUCATION

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Vocational Education Council
- Commissioner of Higher Education
- Community Colleges
- Colleges of Technology
- Montana University System (MUS)
- Agricultural Experiment Station
- Cooperative Extension Service
- Forestry and Conservation Experiment Station
- Bureau of Mines
- Fire Services Training School

LONG-RANGE PLANNING

- Long-Range Building Program
- Treasure State Endowment Program
- Oil Overcharge Funds
- Resource Indemnity Trust Interest Account
- Cultural and Aesthetic Grant Program

APPROPRIATIONS BY AGENCY AND PROGRAM

The appropriations were established and the appropriations report is written using the precepts of HB 7 (passed during the November 1993 Special Session), which required that the budget be presented in three tiers:

1) base budget, which is defined as "that level of funding authorized by the previous legislature";

2) present law budget, defined as "that additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature..."; and

3) new proposals, which are "requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding..."

The appropriations report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 1997 biennium agency budget.

For all multiple program agencies, the narrative is divided into two parts: 1) the agency narrative; and 2) the program narrative. Please note three things when examining the narratives:

1) the figures do not include the 1997 biennium pay plan adopted by the legislature in HB 17, as final allocations of funds to agencies and programs to implement the pay plan had not been made by the Office of Budget and Program Planning (OBPP) at the time of writing of this report;

2) all changes to agency budgets as a result of the passage of HB 576, which eliminated the requirement that proprietary funds be appropriated by the legislature, have been incorporated. A listing of appropriations taken off-budget as a result of this bill is included in the "Overview" volume of this report. Individual program impacts are discussed in the program narratives that follow; and

3) all changes to agency budgets as a result of the passage of SB 83, which de-earmarked funding for some accounts and required appropriation in HB 2 of certain statutory appropriations, have been incorporated. A listing of all impacted programs and accounts is included in the "Overview" volume of this report. Individual program impacts are discussed in the program narratives that follow.

Agency Narrative

The agency narrative provides an overview of the appropriations for that agency. Only a summary of legislative action for the agency, any agency-wide language, and a summary of other legislation impacting the agency are included at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative begins with a table detailing adjusted actual fiscal 1994 expenditures, and present law adjustments and new proposals added to derive the appropriation for each year of the 1997 biennium. The table is followed by a brief agency description.

A paragraph with a short summary of legislative action follows. The paragraph is designed to alert the reader to any broad themes or major initiatives undertaken by the legislature. However, it is not designed to summarize all action.

If the agency was impacted by any reorganization implemented, an explanation follows this summary. Any agency-wide language included in HB 2 follows this section. Because the appropriation report details HB 2 appropriations, any other legislation that either appropriates money to or has a fiscal or programmatic impact on the agency is discussed in the section that follows.

Finally, a table showing and a discussion detailing differences between legislative action and the Executive Budget (as published) is included.

Program Narrative

The agency narrative is followed by narratives detailing each of the agency programs. The program narrative begins with a table showing the adjusted fiscal 1994 base used to derive the budget; followed by total present law adjustments, new proposals, and total appropriations, by fiscal year. A short program description follows.

The program description is followed by the "Present Law Adjustments" discussion. This narrative provides detailed information on all present law adjustments made to the base budget. The writeup begins with a table delineating the major present law adjustments, by fiscal year. The table is divided into two sections:

> 1) statewide present law adjustments, which include most personal services adjustments, and adjustments due to fixed costs and inflation/deflation (see discussion below); and
>
> 2) other present law adjustments.

The table is followed by a narrative, in which each significant adjustment is discussed in more detail.

The present law narrative is followed by the "New Proposals" narrative, which begins with a table listing each of the new proposals included by the legislature, by year and funding source (showing both general fund and/or total funds). This table is followed by narrative discussing each new proposal in more detail.

Statewide Present Law Adjustments

"Statewide Present Law Adjustments" are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency's control; or 2) other underlying factors. Because of the global application of these factors and the consistency of application among agencies, these adjustments are included in the "statewide" section of the present law adjustment table.

Personal Services

Personal services costs were derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. Personal services were then adjusted to incorporate costs in effect in fiscal 1995 and certain anticipated costs in the 1997 biennium. Four primary factors will cause an increase in costs from fiscal 1994 base expenditures: 1) incorporation of the 1995 biennium pay plan, which was not fully implemented until the second half of fiscal 1995; 2) full funding of all positions, with no vacancy savings adjustments (some vacancy savings was taken in new proposals); 3) elimination of all termination pay that may have been incurred in fiscal 1994; and 4) incorporation of any upgrades or downgrades that occurred in fiscal 1994. In addition, some present law increases or decreases in FTE made by the legislature may be included in this portion of the table.

As stated, the 1997 biennium pay plan adopted by the legislature in HB 17 is not included in this or any other table.

Inflation/Deflation

The legislature has inflated or deflated certain operating expenses. Each agency budget is automatically adjusted to add inflation to or subtract deflation from the relevant expenditure items. A complete listing of expenditure categories inflated or deflated in the 1997 biennium is shown in Table 1 (inflation/deflation is discussed in more detail in the "Overview" volume.)

Table 1
Inflation/Deflation Factors, 1997 Biennium

Expenditure Code	Expenditure Category	Inflation Factors for: FY96	FY97
Food Related Inflation Items			
2117	Board & Room	1.037	1.064
2145	Food Service Expense	1.037	1.064
2205	Food	1.037	1.064
2251	Meat	1.037	1.064
2252	Dairy	1.037	1.064
2253	Produce	1.037	1.064
2254	Bakery	1.037	1.064
2264	Grocery	1.037	1.064
2275	Poultry	1.037	1.064
2278	Beverages	1.037	1.064
2279	Red Meat	1.037	1.064
2288	Canned Goods	1.037	1.064
2289	Staples	1.037	1.064
2291	Sea Foods	1.037	1.064
2292	Pork	1.037	1.064
Energy Related Inflation Items			
2216	Gasoline	1.058	1.142
2242	Diesel Fuel	1.058	1.142
2297	Propane Vehicle Fuel	1.058	1.142
2601	Electricity		
	MPC Service Area (default)	1.102	1.158
	MDU Service Area	1.030	1.061
2603	Natural Gas		
	MPC Service Area (default)	1.082	1.125
	MDU Service Area	1.102	1.158
2604	Laboratory Gas	1.058	1.142
2607	Propane	1.058	1.142
2724	Oil	1.058	1.142
2731	Paint - Buildings	1.058	1.142
2732	Paint - Traffic Line	1.058	1.142
2738	Road Oil	1.058	1.142
2742	Oil Mixed Materials	1.058	1.142
Medical Related Inflation Items			
2106	Lab Testing	1.102	1.165
2116	Medical Services	1.102	1.165
2118	Medical Services	1.102	1.165
2119	Dentistry	1.102	1.165
2170	Prescription Services	1.102	1.165
2208	Lab Equipment & Supplies	1.102	1.165
2209	Medical & Hospital Supplies	1.102	1.165
2222	Drugs	1.102	1.165
2265	Misc. Medications	1.102	1.165
Proprietary Rate Items			
2172	Computer Processing/DoA	0.900	0.770
2370	Telephone Equipment Charges/DoA	0.870	0.870
2385	Long Distance Charge/DoA	0.930	0.740
2190	Printing/ P&G	1.030	1.060
2193	Photocpoy Pool Services	1.120	1.120
2404	In-State Motor Pool	1.370	1.520
Other Inflated Items			
2225	Books and Reference Materials	1.038	1.072
2304	Postage & Mailing	1.077	1.103
2802	Subscriptions	1.038	1.072

Fixed Costs

Fixed costs are those costs charged to agencies to fund the operations of certain centralized service functions of state government, such as data network fees, messenger services, and legislative audit. Costs charged to the individual agency budgets are based upon the cost in the service agency as appropriated by the legislature and the method adopted to allocate those costs. The 1995 legislature attempted to meet two criteria in determining the total amount to be allocated to agencies for each fixed cost: 1) generation of sufficient funds to meet all anticipated expenditures in the service agency; and 2) maintenance of a fiscal year end 1997 working capital reserve in the service agency's fund balance of approximately 45 days personal services and operating expenses. These fixed costs are automatically added to each agency's budget, as appropriate. A complete listing of all fixed costs is shown in Table 2.

Total fixed cost collections in the 1997 biennium increase over fiscal 1994 collection levels by $3.4 million in fiscal 1996 and $3.7 million in fiscal 1997 (when legislative audit collections, which are in agency budgets as a biennial appropriation, are excluded). The increase is mainly due to increased insurance and capitol complex rent costs, and an increase in the number of data network users. The increase in the cost of insurance is the result of catastrophic losses worldwide. The increase in rent is the result of two policy changes proposed by the executive and approved by the legislature: a decrease in the general fund share of routine maintenance costs at the capitol complex; and a change in the way major maintenance on capitol complex buildings is funded. Both these changes, which are discussed in the General Services Division narrative in the Department of Administration resulted in increases in the square footage rental rate charged as a fixed cost to state agencies. The decrease in data network fixed cost collections is the result of an increased number of users of the network, as the monthly rate charged per device decreases to $36 per month from the fiscal 1994 level of $40 per month.

The legislature also changed the warrant writing and payroll programs to proprietary funding. In previous biennia, both programs had been funded with general fund and state special revenue collected from non-general fund programs. Consequently, the switch to per unit usage fees collected from all funding sources had a significant impact on general fund agencies that had not been assessed for these services in the past.

Table 2
Fixed Costs Included in Agency Budgets

Fixed Cost Category	Fiscal 1996	Fiscal 1997
Insurance and Bonds	$5,957,190	$5,958,366
Warrant Writing	781,364	837,914
Payroll	554,157	564,446
Audit	2,872,749	0
Data Network	3,559,539	3,668,674
Central Mail	160,354	160,354
Rent	3,728,340	3,831,792
Capitol Grounds Maintenance	265,338	263,768
State Fund Cost Allocation Plan	618,230	641,921
Total Fixed Costs	$18,497,261	$15,927,235

Insurance and Bonds - The Risk Management and Tort Defense Division of the Department of Administration (DofA) collects premiums from state agencies for: 1) administration of the self-insurance program, which provides state agencies with general liability and automobile coverage; and 2) purchase of commercial policies for state agency property, aircraft, and other risk coverage. Costs are allocated to agencies based on actual loss experience, and according to their proportionate share of total state FTE and vehicles.

Warrant Writing Services - The warrant writing function was transferred to the DofA from the State Auditor's Office in the 1997 biennium. The department provides warrant writing and direct deposit services for agency financial transactions. The costs of these services are allocated to agencies based on fiscal 1994 utilization of the various types of payment options for these financial transactions.

Payroll Services - The State Payroll program in DofA prepares and distributes payroll for all state agencies, and operates the state payroll, personnel, and position (PPP) system. Costs of these services are allocated to agencies based on the number of paychecks issued for each agency each year.

Audit Fees - The Legislative Audit Division charges agencies for costs of financial compliance audits. These charges are included in agency budgets as a biennial appropriation, and allocated according to the estimated number of billable hours for each agency audit.

Data Network Fees - The Information Services Division of the DofA charges agencies for the technology network that allows agency personal computers to be attached to the state mainframe and, via the mainframe, to other agency computers. Costs of this service are allocated to agencies based on the projected number of personal computers connected to the network each year, utilizing the fixed monthly rate per computer to determine the overall agency charge.

Central Mail - The Mail and Distribution program in the DofA charges state agencies for inter-agency mail pick-up and delivery services. Costs of these services are allocated to agencies based on the volume of mail generated by, and number of daily deliveries to, each agency.

Rent - The General Services Division of the DofA charges rent to state agencies for costs of maintaining capitol complex buildings (including utility costs, security and janitorial services, etc.) Costs are allocated to agencies based on the amount of office and/or warehouse square footage each occupies.

Fish, Wildlife, & Parks (FWP) Capitol Grounds Maintenance - The Parks Division of FWP charges state agencies for grounds maintenance and snow removal at capitol complex buildings. Costs of these services are allocated based on the amount of office space square footage occupied by each agency on the capitol campus.

State Fund Cost Allocation Plan (SFCAP) - The DofA administers the SFCAP, which charges non-general fund agencies and/or programs for operating costs of state government that cannot easily be identified with particular funding sources. These collections are deposited to the general fund to offset a portion of those programs' costs.

GENERAL GOVERNMENT AND TRANSPORTATION

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

- Legislative Branch
  - Legislative Auditor
  - Legislative Fiscal Analyst
  - Legislative Council
  - Environmental Quality Council
- Consumer Counsel
- Judiciary
- Montana Chiropractic Legal Panel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor*
- Transportation
- Revenue
- Administration
- Appellate Defender Commission
- Public Employees' Retirement Board
- Teachers' Retirement Board

--------------Committee Members--------------

House

Representative Ed Grady (Chair)

Representative Gary Feland

Representative Joe Quilici

Senate

Senator Tom Beck (Vice-Chair)

Senator Eve Franklin

--------------Fiscal Analyst Staff--------------

Skip Culver
Lorene Thorson
Terri Perrigo

* HB 563 transferred the Warrant Writing function to the Department of Administration.

1100 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				LEGISLATIVE BRANCH				
FTE	135.02	(12.75)	1.00	123.27	(7.58)	1.00	128.44	128.44
Personal Services	5,055,488	110,924	42,230	5,208,642	270,645	42,230	5,368,363	10,577,005
Operating Expenses	1,728,957	204,431	388,262	2,321,650	(109,315)	440,592	2,060,234	4,381,884
Equipment	258,415	53,046	108,887	420,348	91,806	218,436	568,657	989,005
Benefits and Claims	1,000	(1,000)	0	0	(1,000)	0	0	0
Total Costs	$7,043,860	$367,401	$539,379	$7,950,640	$252,136	$701,258	$7,997,254	$15,947,894
Fund Sources								
General Fund	3,970,310	220,415	539,379	4,730,104	580,474	701,258	5,252,042	9,982,146
State/Other Special	3,073,550	146,986	0	3,220,536	(328,338)	0	2,745,212	5,965,748
Total Funds	$7,043,860	$367,401	$539,379	$7,950,640	$252,136	$701,258	$7,997,254	$15,947,894

Agency Description

The legislative branch consists of four separate functions: 1) a new Legislative Services Division (the former Legislative Council, under the Legislative Council); 2) the Legislative Fiscal Division (formerly the Office of the Legislative Fiscal Analyst, under the Legislative Finance Committee); 3) the Legislative Audit Division (formerly the Office of the Legislative Auditor, under the Legislative Audit Committee); and 4) the Consumer Counsel. The branch was reorganized in SB 398.

The above table shows the legislative branch budget, excluding the House and Senate.

Reorganization

Senate Bill 398 reorganized the legislative branch to provide a more efficient legislative branch through coordination of activities and elimination of overlapping and duplication of effort.

Except for the Consumer Counsel, the four separate agencies of the legislative branch were consolidated: 1) the Legislative Council; 2) the Office of the Legislative Fiscal Analyst; 3) the Office of the Legislative Auditor; and 4) the Environmental Quality Council staff.

The Office of the Legislative Fiscal Analyst, now the Legislative Fiscal Division; the Office of the Legislative Auditor, now the Legislative Audit Division; and the Legislative Council, now the Legislative Services Division, are now divisions rather than separate agencies. The Environmental Quality Council staff is a principal subdivision within the Legislative Services Division. Within the Legislative Services Division, there will be a legislative environmental analyst who is the primary staff person for the Environmental Quality Council committee (EQC) and will supervise staff assigned to the EQC. The EQC will select the legislative environmental analyst with the concurrence of the Legislative Council.

The Legislative Council and the Legislative Audit Committee (LAC) were increased from eight members to twelve. The EQC was combined with the Water Policy Committee, with a total membership of 17. In the past, the speaker of the house and president of the senate, with advice from the majority and minority leaders, appointed the Legislative Council committee members. Under SB 398, the speaker of the house, president of the senate, and minority leaders of both houses are included in the membership of the Legislative Council. The Legislative Council remains a bicameral, bipartisan committee.

The Legislative Council, with concurrence of the LAC and the Legislative Finance Committee (LFC), is charged with adopting rules for classification and pay of the legislative branch employees, other than employees of the Consumer Counsel.

In the following individual writeups, the legislative entities will be referred to by the old agency titles, as that is how HB 2 defined the legislative appropriations.

Summary of Legislative Action

The legislature reorganized the legislative branch and removed 13.75 FTE from legislative branch agencies. In addition, a 3.4 percent vacancy savings reduction was imposed on the Legislative Fiscal Division (Office of the Legislative Fiscal Analyst).

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Central Network Transfer	1.00	$221,613	$221,613	1.00	$393,404	$393,404
2 Central Network System Enhancements	0.00	317,766	317,766	0.00	307,854	307,854
Totals	1.00	$539,379	$539,379	1.00	$701,258	$701,258

New Proposals

1) Central Network Transfer - The Legislative Branch Computer Systems Planning Council developed a legislative branch computer system plan to: a) address the long-term direction of computer use; b) assure coordination of information system decisions within the Senate, House of Representatives, and legislative agencies; and c) enhance coordination of the legislative branch system with the executive branch.

The legislature approved the funding to finance the consolidation of the network among legislative agencies located in the capitol building and provided 1.0 FTE (the legislature removed 1.0 FTE and approximately $36,000 each year from the budget as originally presented), transferred from the Office of the Legislative Auditor, to support the integration and ongoing workload created by this integration.

The addition includes amounts for the Department of Administration (DofA) data network service fees and maintenance contracts, previously included in agency operating budgets. The individual legislative agencies' budgets do not include any amounts in the 1997 biennium for these services.

2) Central Network System Enhancements - The legislature approved $317,766 general fund in fiscal 1996 and $307,854 general fund in fiscal 1997, primarily for system development, training, equipment, and software. These funds will improve the efficiency of the legislative branch computer system by incorporating the use of Windows and Oracle.

1100 00 00000 Agency Summary Budget Item	EXECUTIVE BUDGET COMPARISON Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	135.02	137.02	123.27	(13.75)	142.19	128.44	(13.75)	(13.75)
Personal Services	5,055,488	5,505,984	5,211,218	(294,766)	5,662,746	5,370,326	(292,420)	(587,186)
Operating Expenses	1,728,957	2,559,806	2,376,516	(183,290)	2,309,067	2,089,500	(219,567)	(402,857)
Equipment	258,415	420,348	420,648	300	568,657	568,657	0	300
Benefits and Claims	1,000	0	0	0	0	0	0	0
Total Costs	$7,043,860	$8,486,138	$8,008,382	($477,756)	$8,540,470	$8,028,483	($511,987)	($989,743)
Fund Sources								
General Fund	3,970,310	5,189,949	4,777,846	(412,103)	5,717,838	5,283,271	(434,567)	(846,670)
State/Other Special	3,073,550	3,296,189	3,230,536	(65,653)	2,822,632	2,745,212	(77,420)	(143,073)
Total Funds	$7,043,860	$8,486,138	$8,008,382	($477,756)	$8,540,470	$8,028,483	($511,987)	($989,743)

Executive Budget Comparison

As part of the overall reduction in legislative staff, the legislature removed 13.75 FTE from legislative agencies and imposed a 3.4 percent vacancy savings reduction on the Office of the Legislative Fiscal Analyst for a reduction of $543,547 in personal services costs ($392,134 general fund) for the biennium. Table 1 shows the reductions by agency. Although committee FTE are reduced, funding remains to pay committee member salary and per diem costs.

Table 1
Legislative Branch FTE
and Personal Services Reductions

	1994 FTE	Branch Computer Plan	Leg. Comm. Reduction	Staff FTE Reduction	Total FTE Reduction	Biennial General Fund Savings	Biennial Total Funds Savings
Legislative Auditor	63.50	(1.00)	(1.00)	(5.00)	(7.00)	$170,053	$321,466
Legislative Fiscal Analyst	16.80		(1.00)	0.00	(1.00)	48,562 [1]	48,562 [1]
Legislative Council	42.97	1.00	(1.00)	(4.00)[2]	(4.00)	105,081	105,081
Environmental Quality Council	6.50		(1.00)	(0.50)	(1.50)	68,438	68,438
Consumer Counsel	5.25		(0.25)	0.00	(0.25)	0	0
Total	135.02	0.00	(4.25)	(9.50)	(13.75)	$392,134	$543,547
Percent Reduction in FTE	-10.18%						

[1]Vacancy savings of 3.4% imposed.
[2]This includes a reduction of 1.0 FTE from the Executive Budget for the branch computer plan. (The original proposal included 2.0 FTE.)

The other major reduction is due to funding interim conferences and studies at $474,490 below the Executive Budget.

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LEGISLATIVE AUDITOR

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	63.50	(7.00)	0.00	56.50	(7.00)	0.00	56.50	56.50
Personal Services	2,292,729	70,519	2,576	2,365,824	82,291	1,963	2,376,983	4,742,807
Operating Expenses	218,527	46,854	10,066	275,447	51,664	9,266	279,457	554,904
Equipment	10,414	262	300	10,976	(1,264)	0	9,150	20,126
Benefits and Claims	1,000	(1,000)	0	0	(1,000)	0	0	0
Total Costs	$2,522,670	$116,635	$12,942	$2,652,247	$131,691	$11,229	$2,665,590	$5,317,837
Fund Sources								
General Fund	1,247,557	148,516	12,942	1,409,015	163,679	11,229	1,422,465	2,831,480
State/Other Special	1,275,113	(31,881)	0	1,243,232	(31,988)	0	1,243,125	2,486,357
Total Funds	$2,522,670	$116,635	$12,942	$2,652,247	$131,691	$11,229	$2,665,590	$5,317,837

Agency Description

The Legislative Audit Division (formerly the Office of the Legislative Auditor), established in 1967, is governed by the Legislative Audit Act, contained in Title 5, Chapter 13, MCA. Article V, Section 10 of the Montana constitution mandates a legislative post-audit function. The office works under the supervision of the Legislative Audit Committee.

The division is divided into three sections: 1) the Financial-Compliance section, which performs biennial audits of all state agencies, an annual statewide financial audit, and biennial federal single audit; 2) the Performance Audit section, which conducts audits of state agencies to determine program effectiveness, efficiency, and compliance with established laws, rules, goals, and objectives; and 3) the Operations/Electronic Data Processing (EDP) Audit section, which evaluates data processing systems and controls independently and in conjunction with financial-compliance and performance audits.

The 1995 legislature passed SB 398, which reorganized the legislative branch. The division is presented as an agency in this writeup as it was passed in HB 2.

Reorganization

See the Legislative Branch "Reorganization" narrative.

Summary of Legislative Action

The legislature eliminated 6.0 FTE and 1.0 committee FTE for a biennial total funds saving of $321,466. Other than the personal services reduction, all proposed present law adjustments were approved by the legislature. General fund of approximately $24,000 was appropriated in HB 2 for other legislation.

Funding

Legislative Auditor operations are funded 53 percent general fund and 47 percent state special revenue, which consists of revenue collected from audited agencies. In the 1995 biennium, the funding split was 48 percent general fund and 52 percent state special revenue.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$70,519	$82,291
2 Inflation/Deflation	$0	$0
3 Fixed Costs	(2,685)	(2,465)
Other Present Law Adjustments		
4 Contracted Services	$26,143	$29,296
5 Restore Expenditure Authority	9,855	9,855
6 Travel	12,544	13,833
7 Other Expenses	997	1,145
8 Equipment	262	(1,264)
9 Insurance Payments	(1,000)	(1,000)
Total Present Law Adjustments	$116,635	$131,691

Present Law Adjustments

1) Personal Services - The legislature eliminated 7.0 FTE, including 5.0 vacant positions, 1.0 legislative committee member FTE and the proposed transfer of 1.0 FTE to the Legislative Council to staff the Central Network Transfer new proposal. Savings from the FTE reductions are $321,466 for the biennium. The net increase in personal services is primarily due to the net of these reductions, vacancy savings in fiscal 1994, the 1995 biennium pay plan, insurance and benefit adjustments. An adjustment is also made to restore full salary benefits for the Legislative Audit Committee (LAC). In fiscal 1994 the members voluntarily did not claim salary for all days to which they were legally entitled.

4) Contracted Services - The legislature approved increases for: a) consultant and professional services of $15,500 in fiscal 1996 and $28,000 in fiscal 1997; b) CPA audits of the legislative branch of $12,000 in fiscal 1996; and c) other minor adjustments.

5) Restore Expenditure Authority - The legislature approved restoring expenditure authority to address costs associated with the filling of 5.0 vacant positions: a) printing increases of $1,800; b) in-state travel costs of $2,500; c) education/training costs of $2,180; and d) recruiting costs of $3,375. As noted in item 1 above, the legislature reduced the FTE in this agency by 7.0, including the 5.0 vacant positions.

6) Travel - The legislature approved increases in travel of $12,544 in fiscal 1996 and $13,833 in fiscal 1997 for: a) additional committee meetings of the LAC; b) modification of policies instituted to address the projected cash shortfall in the special revenue fund; and c) inflation factors applied to motor pool costs amounting to $3,181 in fiscal 1996 and $4,470 in fiscal 1997.

7) Other Expenses - Increases are the net result of adjustments related to the reduction of expenditures in fiscal 1994 to address the projected cash shortfall in the special revenue fund.

8) Equipment and Intangible Assets - An increase of $262 in fiscal 1996 and a decrease of $1,264 in fiscal 1997 from fiscal 1994 actual expenditures will provide replacement of office equipment.

9) Insurance Payments - A decrease of $1,000 in both years is due to a one-time expenditure in fiscal 1994 to meet an insurance deductible due to theft of equipment.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 SB398 LAC Increase		$7,376	$7,376		$5,963	$5,963
2 SB202 Fraud Hotline		5,566	5,566		5,266	5,266
Totals		$12,942	$12,942		$11,229	$11,229

New Proposals

The legislature approved the transfer of 1.0 FTE and $26,864 in personal services each year, of which $14,211 is general fund, to the Legislative Council in conjunction with the branch central network transfer. For a further discussion, see "New Proposals" in the Legislative Branch narrative.

1) Senate Bill 398 - LAC Increase - This act increased the size of the Legislative Audit Committee by four legislators. General fund monies of $7,376 in fiscal year 1996 and $5,963 in fiscal year 1997 were appropriated in HB 2 to implement this provision of SB 398. Personal services costs of $2,576 in fiscal 1996 and $1,963 in fiscal 1997 are for legislator salaries. Operating expenses of $4,800 in fiscal 1996 and $4,000 in fiscal 1997 are for legislator travel to committee meetings.

2) Senate Bill 202 - Fraud Hotline - This bill provides for the continuation of the fraud hotline established by the legislature during the November 1993 Special Session. General fund monies of $5,566 in fiscal year 1996 and $5,266 in fiscal year 1997 were appropriated in HB 2 for this function.

Language

"If Senate Bill No. 398 is not passed and approved, general fund money in item [Legislative Auditor] will be decreased by $7,376 in fiscal year 1996 and $5,963 in fiscal year 1997."

"The legislative audit committee is authorized to accept and expend private and nonstate funds to contract for an independent study of the conversion of the Montana medicaid program provided for in Title 53, chapter 6, to private insurance policies or coverage by health service corporations or health maintenance organizations."

Other Legislation

Senate Bill 202 - This bill provides for the continuation of the fraud hotline established by the legislature during the November 1993 Special Session. HB 2 includes funding to continue this function.

Senate Bill 398 - This bill provides for a reorganization of the legislative branch. It increases the size of the LAC and changes the Office of the Legislative Auditor to the Legislative Audit Division. For a further discussion, see the Legislative Branch "Reorganization" writeup.

House Bill 484 - This act requires the Department of Social and Rehabilitation Services to contract for a study by the Legislative Audit Division concerning the feasibility of changing medicaid from fee-for services coverage to private insurance coverage. See the "Language" section of the Legislative Branch writeup for HB 2 companion language.

1101 00 00000 **LEGISLATIVE AUDITOR** Agency Summary Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
				EXECUTIVE BUDGET COMPARISON				
FTE	63.50	63.50	56.50	(7.00)	63.50	56.50	(7.00)	(7.00)
Personal Services	2,292,729	2,523,863	2,365,824	(158,039)	2,535,871	2,376,983	(158,888)	(316,927)
Operating Expenses	218,527	265,381	275,447	10,066	270,191	279,457	9,266	19,332
Equipment	10,414	10,676	10,976	300	9,150	9,150	0	300
Benefits and Claims	1,000	0	0	0	0	0	0	0
Total Costs	$2,522,670	$2,799,920	$2,652,247	($147,673)	$2,815,212	$2,665,590	($149,622)	($297,295)
Fund Sources								
General Fund	1,247,557	1,481,035	1,409,015	(72,020)	1,496,327	1,422,465	(73,862)	(145,882)
State/Other Special	1,275,113	1,318,885	1,243,232	(75,653)	1,318,885	1,243,125	(75,760)	(151,413)
Total Funds	$2,522,670	$2,799,920	$2,652,247	($147,673)	$2,815,212	$2,665,590	($149,622)	($297,295)

Executive Budget Comparison

The legislative budget reflects a $297,295 reduction from the Executive Budget. This is primarily due to the elimination of 7.0 FTE and the related personal services costs.

1102 00 00000

LEGISLATIVE FISCAL ANALYST

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	16.80	(1.00)	0.00	15.80	(1.00)	0.00	15.80	15.80
Personal Services	696,636	8,360	0	704,996	13,127	0	709,763	1,414,759
Operating Expenses	70,220	18,324	14,800	103,344	28,861	0	99,081	202,425
Equipment	1,375	0	0	1,375	0	0	1,375	2,750
Total Costs	$768,231	$26,684	$14,800	$809,715	$41,988	$0	$810,219	$1,619,934
Fund Sources								
General Fund	768,231	26,684	14,800	809,715	41,988	0	810,219	1,619,934
Total Funds	$768,231	$26,684	$14,800	$809,715	$41,988	$0	$810,219	$1,619,934

Agency Description

The Legislative Fiscal Division (formerly the Legislative Fiscal Analyst's office) was established in 1974 to provide fiscal analysis of state government and to accumulate, compile, analyze, and furnish information bearing upon the financial matters of the state and policy issues of statewide importance. The duties of the office are provided in the Legislative Finance Act (Title 5, Chapter 12, MCA), which also established the Legislative Finance Committee, which oversees the operation of the office.

The 1995 legislature passed SB 398, which reorganized the legislative branch. For additional information about SB 398, see the Legislative Branch "Reorganization" narrative.

Reorganization

See the Legislative Branch "Reorganization" narrative.

Summary of Legislative Action

The legislature eliminated 1.0 committee FTE and imposed a 3.4 percent vacancy savings reduction. Other than the personal services reduction, all proposed present law adjustments were approved by the legislature. In addition, the legislature appropriated funds to continue the Joint Committee on Postsecondary Education Policy and Budget (PEPB) and a language appropriation to continue the review of earmarked revenues and statutory appropriations.

Funding

This agency is funded entirely from the general fund.

Present Law Adjustments

1) Personal Services - The legislature reduced FTE by 1.0 legislative committee member and imposed a 3.4 percent vacancy savings reduction ($48,562 for the biennium). The net increase is a net of this adjustment and the 1995 biennium pay plan, termination pay, vacancy savings in fiscal 1994, insurance and benefits adjustments, and an increase in legislative salaries for three additional Legislative Finance Committee (LFC) meetings over the biennium.

4) Legislative Session Costs - Fiscal 1997 costs increase $29,000 over fiscal 1994 due to cyclical costs associated with the legislative session, including printing, computer processing, supplies, and communications.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$8,360	$13,127
2 Inflation/Deflation	(1,231)	(4,205)
3 Fixed Costs	(1,246)	(980)
Other Present Law Adjustments		
4 Legislative Session Costs	$0	$29,000
5 Travel	9,906	4,151
6 Legislative Requests	10,000	0
7 Miscellaneous	895	895
Total Present Law Adjustments	$26,684	$41,988

5) Travel - Increases are primarily for LFC member reimbursement for travel to meetings. Funding is included for three more meetings than appropriated for the 1995 biennium ($5,200 in fiscal 1996, $2,600 in fiscal 1997).

6) Legislative Requests - The legislature approved a biennial appropriation of $10,000 for computer processing costs associated with legislative requests.

1102 00 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Postsecondary Ed. Interim Com.		$14,800	$14,800			
Totals		$14,800	$14,800			

New Proposals

1) Postsecondary Education Interim Committee - SB 76 continued the PEPB. A restricted, biennial appropriation of $14,800 general fund was approved in HB 2 to fund the activities of this committee.

Language

"Of the amount appropriated for expenses associated with the review required pursuant to 17-1-505 appropriated to the office of the legislative fiscal analyst in section 1, Chapter 30, Special Laws of November 1993, amending section 15, Chapter 623, Laws of 1993, any unexpended funds up to $6,000 are reappropriated to the analysis and review program (program 01) within the office of the legislative fiscal analyst. The funds reappropriated to the analysis and review program are appropriated for the 1997 biennium for expenses associated with the review required in 17-1-505 [review of earmarked revenues and statutory appropriations]."

Other Legislation

Senate Bill 76 - Through passage and approval of this bill, the legislature continued the PEPB until July 1, 1997. The legislature appropriated $14,800 general fund for the biennium in HB 2 to provide funding for this committee.

1102 00 00000 LEGISLATIVE FISCAL ANALYST Agency Summary Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
				EXECUTIVE BUDGET COMPARISON				
FTE	16.80	16.80	15.80	(1.00)	16.80	15.80	(1.00)	(1.00)
Personal Services	696,636	729,277	704,996	(24,281)	734,044	709,763	(24,281)	(48,562)
Operating Expenses	70,220	88,544	103,344	14,800	101,686	99,081	(2,605)	12,195
Equipment	1,375	1,375	1,375	0	1,375	1,375	0	0
Total Costs	$768,231	$819,196	$809,715	($9,481)	$837,105	$810,219	($26,886)	($36,367)
Fund Sources								
General Fund	768,231	819,196	809,715	(9,481)	837,105	810,219	(26,886)	(36,367)
Total Funds	$768,231	$819,196	$809,715	($9,481)	$837,105	$810,219	($26,886)	($36,367)

Executive Budget Comparison

The legislative budget reflects a $36,367 reduction from the Executive Budget. This reduction is the net result of: 1) the imposition of a 3.4 percent vacancy savings reduction; 2) an increase of $14,800 for implementing SB 76; and 3) a reduction of $2,605 in fiscal 1997 due to increased deflation, which was applied to all agency budgets.

In addition, 1.0 legislative committee member FTE was eliminated. This reduction has no effect on personal services as the salaries of legislative committee members will still be paid.

1104 00 00000

LEGISLATIVE COUNCIL

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	42.97	(3.00)	1.00	40.97	2.17	1.00	46.14	46.14
Personal Services	1,559,650	24,559	42,230	1,626,439	166,387	42,230	1,768,267	3,394,706
Operating Expenses	809,559	10,183	398,262	1,218,004	(332,826)	440,592	917,325	2,135,329
Equipment	231,119	65,018	108,887	405,024	105,252	218,436	554,807	959,831
Total Costs	$2,600,328	$99,760	$549,379	$3,249,467	($61,187)	$701,258	$3,240,399	$6,489,866
Fund Sources								
General Fund	1,681,624	63,324	539,379	2,284,327	395,212	701,258	2,778,094	5,062,421
State/Other Special	918,704	36,436	10,000	965,140	(456,399)	0	462,305	1,427,445
Total Funds	$2,600,328	$99,760	$549,379	$3,249,467	($61,187)	$701,258	$3,240,399	$6,489,866

Agency Description

The Legislative Services Division (formerly the Legislative Council) provides support services to the legislature under supervision of a twelve-member, bipartisan committee composed of six members of the House of Representatives and six members of the Senate. Council services include: bill drafting and the engrossing and enrolling of bills; printing and distribution of legislative proceedings, session laws, and journals of the House and Senate; provision of legislative research and reference services; legal counseling for the legislature; committee staffing; provision of interim investigation authority; service as the agency of interstate cooperation; preparation and publication of the Montana Code Annotated statute text and annotations; review of the text of proposed ballot measures and proposed administrative rules; and other services as assigned by the legislature.

The 1995 legislature passed SB 398, which reorganized the legislative branch. For additional information about SB 398, see the Legislative Branch "Reorganization" discussion.

Reorganization

See the Legislative Branch "Reorganization" narrative.

Summary of Legislative Action

The legislature eliminated 3.0 FTE and 1.0 committee FTE, and reduced a new proposal from 2.0 FTE to 1.0 FTE for a biennial general fund savings of $105,081. General fund monies of $10,000 were appropriated in HB 2 for other legislation.

Other Legislation

House Bill 240 - This act establishes the Juvenile Justice and Juvenile Mental Health Study Commission. Federal funds of $20,000 granted to the Board of Crime Control for the Youth Justice Council is allocated to the Legislative Council to fulfill the duties of the commission.

House Bill 471 - This legislation extends the termination date of the Committee on Public Employee Retirement Systems. There is a biennial appropriation of up to $13,800 to the Legislative Council from the pension trust funds for the Committee on Public Employee Retirement Systems. In addition, up to $10,000 state special revenue in contributions received for the committee is appropriated for the biennium.

House Bill 578 - This bill makes permanent the Joint Oversight Committee on Children and Families and appropriates $12,000 general fund to the Legislative Council for the 1997 biennium.

House Joint Resolution 19 - This resolution requests an interim study of the needs of Montana veterans. Cigarette tax state special revenue of $10,000 for the 1997 biennium was appropriated in HB 2 to the Legislative Council for this interim study.

Senate Joint Resolution 23 - This resolution requests an interim study and planning process to prepare state government management systems for the 21st century. An interim committee will study the laws governing state personnel, finance, and asset management, and look for opportunities for and advantages of installing an integrated system of asset management tools.

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LEGISLATIVE COUNCIL **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	42.97	44.97	40.97	(4.00)	50.14	46.14	(4.00)	(4.00)
Personal Services	1,559,650	1,704,666	1,626,439	(78,227)	1,843,299	1,768,267	(75,032)	(153,259)
Operating Expenses	809,559	1,426,160	1,218,004	(208,156)	1,143,103	917,325	(225,778)	(433,934)
Equipment	231,119	405,024	405,024	0	554,807	554,807	0	0
Total Costs	$2,600,328	$3,535,850	$3,249,467	($286,383)	$3,541,209	$3,240,399	($300,810)	($587,193)
Fund Sources								
General Fund	1,681,624	2,580,710	2,284,327	(296,383)	3,077,456	2,778,094	(299,362)	(595,745)
State/Other Special	918,704	955,140	965,140	10,000	463,753	462,305	(1,448)	8,552
Total Funds	$2,600,328	$3,535,850	$3,249,467	($286,383)	$3,541,209	$3,240,399	($300,810)	($587,193)

Executive Budget Comparison

The legislative budget reflects a $587,193 reduction from the Executive Budget in the 1997 biennium. This reduction is the net result of: 1) the elimination of 4.0 FTE and $105,081 in personal service costs; 2) funding for interim conferences and studies at $474,490 below the Executive Budget; and 3) a $7,622 reduction in fiscal 1997 due to increased deflation applied to all agency budgets.

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LEGISLATIVE COUNCIL Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				INTERIM STUDIES & CONFERENCES				
FTE	2.47	(1.50)	0.00	0.97	(1.50)	0.00	0.97	0.97
Personal Services	10,561	2,824	0	13,385	2,824	0	13,385	26,770
Operating Expenses	36,615	40,947	10,000	87,562	40,947	0	77,562	165,124
Total Costs	$47,176	$43,771	$10,000	$100,947	$43,771	$0	$90,947	$191,894
Fund Sources								
General Fund	47,176	43,771	0	90,947	43,771	0	90,947	181,894
State/Other Special	0	0	10,000	10,000	0	0	0	10,000
Total Funds	$47,176	$43,771	$10,000	$100,947	$43,771	$0	$90,947	$191,894

Program Description

The Interim Studies and Conferences program monitors and processes the expenditures of legislative interim committees and conferences. Included in the program are: 1) limited support of interim studies activities established under sections 5-5-202 through 5-5-217, MCA; 2) support of interstate cooperation activities of the legislature; and 3) support of other legislative activities for which appropriations are made.

Funding

Interim studies and conference activities are funded by general fund, except the study of veterans' needs requested by HJR 19. This study is funded with cigarette tax state special revenue of $10,000 for the biennium.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$2,824	$2,824
2 Inflation/Deflation	116	206
Other Present Law Adjustments		
3 Other Services	$14,573	$14,483
4 Travel	4,057	4,056
5 Other Expenses	22,201	22,202
Total Present Law Adjustments	$43,771	$43,771

Present Law Adjustments

1) Personal Services - The increase in personal services will cover the costs associated with legislators' participation in the approved interim studies and conferences.

As part of the overall reduction in legislative staff, the legislature removed 1.5 FTE that represent legislative committee members.

3) Other Services - A biennial increase of $29,056 primarily provides funds for consulting services for joint interim committees.

4) Travel - The increase of approximately $4,000 each year funds travel costs for legislators' participation in the committees funded in Table 1.

5) Other Expenses - Increased costs of NCSL and NCCUSL dues of over $22,000 each year were approved by the legislature.

As shown in Table 1, the legislature approved $181,894 of the $666,384 request for the biennium and appropriated an additional $10,000 state special revenue for an interim study approved in other legislation. Specific action by the legislature includes:

Joint Interim Committees - The legislature approved $44,000 for the biennium for this function, approximately 50 percent less than requested. This funds various committees based upon legislative priority.

Statewide Issues - The legislature approved $10,000 for the biennium as a contingency fund to be used if the legislature determines there is a need for a particular study during the interim.

Districting and Apportionment Commission - The legislature approved $3,000 for the biennium to allow staff travel to training sessions.

Revenue Oversight Committee - The legislature approved $22,000 of the $31,372 requested for the biennium for travel, per diem, and miscellaneous operating expenses. This appropriation will fund approximately six meetings in the interim.

Select Committee on Indian Affairs - The legislature approved $13,451 for this biennium. This level will fund eight members attending six meetings during the interim.

Table 1
Interim Studies and Conferences
Comparison of 1993/1995 Biennia Appropriations to 1997 Biennium Approved Budget

	1993 Biennium	1995 Biennium	1997 Biennium
FTE	2.00	2.47	0.97
Interim Standing or Temporary Committees			
Joint Interim Committees	$82,470	$44,762	$44,000
Statewide Issues	25,000	0	10,000
Districting and Apportionment Commission	43,000	0	3,000
State-Owned Aircraft Study	12,000	0	0
Permanent Statutory Committees			
Revenue Oversight Committee	37,983	21,479	22,000
Coal Tax Oversight Committee	0	0	0
Select Committee on Indian Affairs	7,200	7,193	13,451
JTPA Review Committee	0	0	0
Administrative Code	14,048	7,232	12,640
Interstate Cooperation			
NCSL			40,000
CSG			0
NCCUSL	30,000	35,000	36,803
Northwest Economic Region Conference	20,000	30,584	0
Regional Conferences	32,000	0	0
Montana/Western Canadian Provinces Boundary	___	___	0
Subtotal	$303,701	$146,250	$181,894
Veterans' Study - HJR 19			10,000
Special Session Reductions	($137,361)	($29,909)	___
Total Appropriation	$166,340	$116,341	$191,894

JTPA Review Committee - The legislature eliminated funding for this committee.

Administrative Code Committee - The legislature approved $12,640 for the biennium. This level will provide funds for six meetings during the interim to review all proposed rules, rule amendments, and rule repeals filed with the Secretary of State.

National Conference of State Legislatures (NCSL) - The legislature approved $40,000 for the state's participation in NCSL.

Council of State Governments (CSG) - The legislature did not include funding for CSG.

National Conference of Commissioners on Uniform State Laws (NCCUSL) -The legislature approved $36,803 for NCCUSL for travel, dues and training costs.

Northwest Economic Region Conference - The legislature eliminated funding for this function.

Pacific Northwest Economic Region - The legislature eliminated funding for this function.

Montana/Western Canadian Provinces Boundary - The legislature eliminated funding for this function.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 HJR19 Veterans Interim Committee			$10,000			
Totals			$10,000			

New Proposals

1) House Joint Resolution 19 Veterans' Interim Committee - The legislature appoved a biennial appropriation of $10,000 for an interim study of the needs of Montana veterans. Cigarette tax state special revenue of $10,000 for the 1997 biennium was appropriated to the Legislative Council for this interim study.

Language

"Individual activities in the interim studies program are budgeted as follows: Joint Interim Committees - $44,000; Statewide Issues - $10,000; Districting and Apportionment Commission - $3,000; Revenue Oversight Committee - $22,000; Select Committee on Indian Affairs - $13,451; Administrative Code - $12,640; National Conference of Commissioners on Uniform State Laws - $36,803; and National Conference of State Legislatures - $40,000."

"The legislative council may allocate money appropriated in item [Interim Studies] among the individual activities listed above in order to complete work assigned by the legislature."

1104 10 00000 LEGISLATIVE COUNCIL Program Summary			LEGISLATIVE COUNCIL					
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	40.50	(1.50)	1.00	40.00	3.67	1.00	45.17	45.17
Personal Services	1,549,089	21,735	42,230	1,613,054	163,563	42,230	1,754,882	3,367,936
Operating Expenses	772,944	(30,764)	388,262	1,130,442	(373,773)	440,592	839,763	1,970,205
Equipment	231,119	65,018	108,887	405,024	105,252	218,436	554,807	959,831
Total Costs	$2,553,152	$55,989	$539,379	$3,148,520	($104,958)	$701,258	$3,149,452	$6,297,972
Fund Sources								
General Fund	1,634,448	19,553	539,379	2,193,380	351,441	701,258	2,687,147	4,880,527
State/Other Special	918,704	36,436	0	955,140	(456,399)	0	462,305	1,417,445
Total Funds	$2,553,152	$55,989	$539,379	$3,148,520	($104,958)	$701,258	$3,149,452	$6,297,972

Program Description

The Legislative Council Operations program was reorganized during the 1993 biennium to include the former Reimbursable Activities program. The reorganized program: 1) provides for overall policy direction of the agency through the Legislative Council; 2) publishes and distributes the Montana Code Annotated text, annotations, and ancillary publications; and 3) provides personnel to support agency programs.

Funding

The Legislative Council Operations program is funded with general fund, except for state special revenue that supports personal services, operating expenses, and equipment associated with publication of the Montana Code Annotated and auxiliary publications.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$21,735	$163,563
2 Inflation/Deflation	(3,120)	(14,694)
3 Fixed Costs	(13,548)	(11,304)
Other Present Law Adjustments		
4 Contracted Services	$7,277	($318,701)
5 Supplies and Materials	2,128	33,581
6 Repairs and Maintenance	(28,800)	(25,200)
7 Travel	833	(5,814)
8 Other Expenses	4,466	(31,641)
9 Equipment	65,018	105,252
Total Present Law Adjustments	$55,989	($104,958)

Present Law Adjustments

1) Personal Services - As part of the overall reduction of legislative staff, the legislature removed 1.5 FTE (including .5 legislative committee member FTE and 1.0 legislative purchasing FTE) and reduced personal services by $33,165 for the biennium. The increase is a net result of this adjustment and the fiscal 1995 pay plan, termination pay, 1994 vacancy savings, and adjustments in benefits. Additional increases in fiscal 1997 are the net result of: a) 5.17 additional FTE that reflect staff requirements associated with the 1997 legislative session; and b) $30,000 requested for overtime in legislative session years.

3) Fixed Costs - Fixed costs decrease primarily by the majority of DofA data network services fees being transferred to the legislative branch new proposal for a central network.

4) Contracted Services - Contracted services increase $7,277 in fiscal 1996 and decrease $318,701 in fiscal 1997. These adjustments are primarily the net result of: a) consultant and professional services increase of $25,000 in fiscal 1997 for hiring law school students to help in the drafting of bills; b) DofA computer processing charges increases of $5,762 in fiscal 1996 and $36,484 in fiscal 1997; c) non-DofA system development increases of $5,217 in fiscal 1996 and $6,077 in fiscal 1997; d) DofA information central services training increase of $10,000 in both years to restore the training budget; e) other provider printing decreases of $8,556 in fiscal 1996 and $382,456 in fiscal 1997, as publication costs for MCA are projected to be less than 1994 actual costs; and f) a net decrease of $5,146 in fiscal 1996 and $13,806 in fiscal 1997 for miscellaneous adjustments.

5) Supplies and Materials - Fiscal 1997 increases are primarily due to photo and reproduction charges ($14,359) and minor data processing equipment ($13,500). Both items are related to costs associated with legislative sessions and are higher in those years.

6) Repairs and Maintenance - Decreases are a result of many maintenance contracts being shifted from this program to the legislative central network.

8) Other Expenses - Other adjustments in operating expenses result in an increase of $4,466 in fiscal 1996 and a decrease of $31,641 in fiscal 1997. Freight and express charges decrease by $35,648 in fiscal 1997.

9) Equipment - Increases of $65,018 in fiscal 1996 and $105,252 in fiscal 1997 will provide replacement equipment.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Central Network Transfer	1.00	$221,613	$221,613	1.00	$393,404	$393,404
2 Central Network System Enhancement		317,766	317,766		307,854	307,854
Totals	1.00	$539,379	$539,379	1.00	$701,258	$701,258

New Proposals

The two new proposals for this program are for the branch central network, and are discussed under "New Proposals" in the Legislative Branch narrative.

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ENVIRONMENTAL QUALITY COUNCIL

Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	6.50	(1.50)	0.00	5.00	(1.50)	0.00	5.00	5.00
Personal Services	234,890	(5,454)	0	229,436	(5,115)	0	229,775	459,211
Operating Expenses	51,171	7,148	0	58,319	4,664	0	55,835	114,154
Equipment	651	349	0	1,000	349	0	1,000	2,000
Total Costs	$286,712	$2,043	$0	$288,755	($102)	$0	$286,610	$575,365
Fund Sources								
General Fund	272,898	1,891	0	274,789	(405)	0	272,493	547,282
State/Other Special	13,814	152	0	13,966	303	0	14,117	28,083
Total Funds	$286,712	$2,043	$0	$288,755	($102)	$0	$286,610	$575,365

Agency Description

The Environmental Quality Council (EQC), created in 1971 to implement provisions of the Montana Environmental Policy Act (MEPA - Title 75, Chapter 1, MCA), consists of two programs: 1) the Environmental Quality Council Program, responsible for the general EQC program and for the environmental quality goals established in MEPA; and 2) the Water Policy Committee Program, responsible for advising the legislature on state water policy. The Water Policy Committee utilizes EQC staff for support.

The 1995 legislature passed SB 398, which reorganized the legislative branch. The EQC will not exist as a separate agency in the 1997 biennium, but will be a part of the Legislative Services Division. Because HB 2 currently reflects the prior structure, programs are presented as passed in HB 2 in the narratives that follow. For additional information about SB 398, see the Legislative Branch "Reorganization" discussion.

Reorganization

See the Legislative Branch "Reorganization" narrative.

Summary of Legislative Action

The legislature eliminated 1.0 committee FTE and a 0.5 attorney FTE. Other than the personal services reduction, all proposed present law adjustments were approved by the legislature.

Executive Budget Comparison

The legislative budget reflects a $68,676 reduction from the Executive Budget in the 1997 biennium. This reduction is primarily the result of eliminating 1.5 FTE and personal services of $68,438 general fund. The remaining difference in fiscal 1997 of $238 is due to increased deflation applied to all agency budgets.

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ENVIRONMENTAL QUALITY COUNCIL **EXECUTIVE BUDGET COMPARISON**

Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	6.50	6.50	5.00	(1.50)	6.50	5.00	(1.50)	(1.50)
Personal Services	234,890	263,655	229,436	(34,219)	263,994	229,775	(34,219)	(68,438)
Operating Expenses	51,171	58,319	58,319	0	56,073	55,835	(238)	(238)
Equipment	651	1,000	1,000	0	1,000	1,000	0	0
Total Costs	$286,712	$322,974	$288,755	($34,219)	$321,067	$286,610	($34,457)	($68,676)
Fund Sources								
General Fund	272,898	309,008	274,789	(34,219)	306,950	272,493	(34,457)	(68,676)
State/Other Special	13,814	13,966	13,966	0	14,117	14,117	0	0
Total Funds	$286,712	$322,974	$288,755	($34,219)	$321,067	$286,610	($34,457)	($68,676)

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ENVIRONMENTAL QUALITY COUNCIL Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	6.25	(1.25)	0.00	5.00	(1.25)	0.00	5.00	5.00
Personal Services	230,662	(5,245)	0	225,417	(4,906)	0	225,756	451,173
Operating Expenses	41,585	6,787	0	48,372	4,152	0	45,737	94,109
Equipment	651	349	0	1,000	349	0	1,000	2,000
Total Costs	$272,898	$1,891	$0	$274,789	($405)	$0	$272,493	$547,282
Fund Sources								
General Fund	272,898	1,891	0	274,789	(405)	0	272,493	547,282
Total Funds	$272,898	$1,891	$0	$274,789	($405)	$0	$272,493	$547,282

ENVIRONMENTAL QUALITY PROGRAM

Program Description

The Environmental Quality Council (EQC) Program is charged with implementing provisions of the Montana Environmental Policy Act (MEPA), performing numerous other statutory duties, and completing projects assigned to it by the legislature. The EQC reviews state agency policies and programs that concern environmental matters and natural resource development and conservation. The council researches and analyzes environmental trends and problems and recommends ways to improve the state's natural, social, and economic environments. It assists the legislature with natural resource legislation and staffs the natural resources standing committees and the Water Policy Committee.

Funding

The EQC program is funded entirely with general fund.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	($5,245)	($4,906)
2 Inflation/Deflation	136	77
3 Fixed Costs	3,879	3,972
Other Present Law Adjustments		
4 Travel	$2,000	($669)
5 Other Expenses	772	772
6 Equipment	349	349
Total Present Law Adjustments	$1,891	($405)

Present Law Adjustments

1) Personal Services - The net reduction is due to the legislature reducing FTE by 1.25 and personal services by $34,219 each year of the biennium. (The FTE represents reducing an attorney position by one-half and the removal of .75 FTE legislative committee members.) Other adjustments include increases for the 1995 biennium pay plan, longevity adjustments, and increases for legislative and public member salaries for reimbursable meetings.

4) Travel - The increase of $2,000 in fiscal 1996 provides reimbursement of EQC members' personal car mileage for meetings. The decrease of $669 in fiscal 1997 reflects fewer scheduled meetings during a legislative session year.

6) Equipment - An increase of $349 over 1994 actual expenditures provides $1,000 each year for the replacement of minor office equipment.

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ENVIRONMENTAL QUALITY COUNCIL Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	0.25	(0.25)	0.00	0.00	(0.25)	0.00	0.00	0.00
Personal Services	4,228	(209)	0	4,019	(209)	0	4,019	8,038
Operating Expenses	9,586	361	0	9,947	512	0	10,098	20,045
Total Costs	$13,814	$152	$0	$13,966	$303	$0	$14,117	$28,083
Fund Sources								
State/Other Special	13,814	152	0	13,966	303	0	14,117	28,083
Total Funds	$13,814	$152	$0	$13,966	$303	$0	$14,117	$28,083

WATER POLICY COMMITTEE

Program Description

The Water Policy program was established to operate the Water Policy Committee, statutorily created by the Forty-ninth Legislature. The Water Policy Committee's duties include advising the legislature on the state's water policy and on important state, regional, national, and international developments relating to Montana's water resources; overseeing actions of the Department of Natural Resources and Conservation and other entities as they relate to water management; analyzing and commenting on numerous water-related plans, programs, and issues; and reporting to the legislature each biennium.

Funding

The Water Policy Committee is funded with Resource Indemnity Tax (RIT) trust interest from the reclamation and development state special revenue account.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	($209)	($209)
2 Inflation/Deflation	361	512
3 Fixed Costs	0	0
Total Present Law Adjustments	$152	$303

Present Law Adjustments

1) Personal Services & 2) Inflation/Deflation - As part of the overall reduction in legislative staff, the legislature removed .25 FTE that represent legislative committee members. Increases of $152 in fiscal 1996 and $303 in fiscal 1997 were approved for minor personal services decreases and inflation increases.

1112 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
CONSUMER COUNSEL								
FTE	5.25	(0.25)	0.00	5.00	(0.25)	0.00	5.00	5.00
Personal Services	271,583	12,940	0	284,523	13,955	0	285,538	570,061
Operating Expenses	579,480	141,922	0	721,402	158,322	0	737,802	1,459,204
Equipment	14,856	(12,583)	0	2,273	(12,531)	0	2,325	4,598
Total Costs	$865,919	$142,279	$0	$1,008,198	$159,746	$0	$1,025,665	$2,033,863
Fund Sources								
State/Other Special	865,919	142,279	0	1,008,198	159,746	0	1,025,665	2,033,863
Total Funds	$865,919	$142,279	$0	$1,008,198	$159,746	$0	$1,025,665	$2,033,863

Agency Description

The Consumer Counsel was created by Article XIII, Section 2 of the Montana constitution and is governed by Title 5, Chapter 15, MCA, and Title 69, Chapters 1 and 2, MCA. The Consumer Counsel represents consumer interests in hearings before the Public Service Commission. The Consumer Counsel may also initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in proceedings before federal administrative agencies on behalf of the Montana public.

Reorganization

See the Legislative Branch "Reorganization" writeup.

Summary of Legislative Action

The legislature eliminated 0.25 committee FTE, although funding remains to pay committee member salary and per diem costs. All proposed present law adjustments were approved by the legislature.

Funding

The Consumer Counsel is funded by a tax on public utilities, common carriers, railroads, and other industries regulated by the Public Service Commission.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$12,940	$13,955
2 Inflation/Deflation	568	677
3 Fixed Costs	3,573	3,681
Other Present Law Adjustments		
4 Contracted Services	$129,714	$145,317
5 Travel	7,232	7,812
6 Other Expenses	835	835
7 Equipment	(12,583)	(12,531)
Total Present Law Adjustments	$142,279	$159,746

Present Law Adjustments

1) Personal Services - The legislature removed 0.25 FTE (but no funding) that represented legislative committee members and approved increases that are the net result of the fiscal 1995 pay plan and increases in insurance and benefits.

4) Contracted Services - Increases of $129,714 in fiscal 1996 and $145,317 in fiscal 1997 are primarily a result of consultant and professional services increases. The increases would provide a total of $634,704 in fiscal 1996 and $650,210 in fiscal 1997, which includes a $100,000 contingency for unanticipated caseload increases.

7) Equipment - Decreases of $12,583 in fiscal 1996 and $12,531 in fiscal 1997 allow slightly over $2,000 each year for replacement of minor office equipment.

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CONSUMER COUNSEL — **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	5.25	5.25	5.00	(0.25)	5.25	5.00	(0.25)	(0.25)
Personal Services	271,583	284,523	284,523	0	285,538	285,538	0	0
Operating Expenses	579,480	721,402	721,402	0	738,014	737,802	(212)	(212)
Equipment	14,856	2,273	2,273	0	2,325	2,325	0	0
Total Costs	$865,919	$1,008,198	$1,008,198	$0	$1,025,877	$1,025,665	($212)	($212)
Fund Sources								
State/Other Special	865,919	1,008,198	1,008,198	0	1,025,877	1,025,665	(212)	(212)
Total Funds	$865,919	$1,008,198	$1,008,198	$0	$1,025,877	$1,025,665	($212)	($212)

Executive Budget Comparison

The legislature reduced FTE by 0.25 and approved all present law adjustments. The difference in fiscal 1997 is due to increased deflation applied to all agency budgets.

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JUDICIARY

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	89.25	8.50	0.00	97.75	8.00	0.00	97.25	97.25
Personal Services	4,796,465	501,740	(80,072)	5,218,133	492,504	(80,394)	5,208,575	10,426,708
Operating Expenses	824,295	376,447	145,000	1,345,742	342,577	145,000	1,311,872	2,657,614
Equipment	271,857	666,258	25,000	963,115	630,726	0	902,583	1,865,698
Total Costs	$5,892,617	$1,544,445	$89,928	$7,526,990	$1,465,807	$64,606	$7,423,030	$14,950,020
Fund Sources								
General Fund	5,351,461	561,045	(23,736)	5,888,770	483,585	(23,985)	5,811,061	11,699,831
State/Other Special	541,156	983,400	(8,836)	1,515,720	982,222	(21,409)	1,501,969	3,017,689
Federal Special	0	0	122,500	122,500	0	110,000	110,000	232,500
Total Funds	$5,892,617	$1,544,445	$89,928	$7,526,990	$1,465,807	$64,606	$7,423,030	$14,950,020

Agency Description

The judicial branch of state government is provided for in Article III, Section I, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers for Montana courts. The court also supervises the reimbursement to district courts of certain costs of criminal cases and administers the local citizen review board pilot program for foster care placements.

Summary of Legislative Action

The legislature approved HB 176, which imposed a $5 user surcharge on all criminal, civil, and probate filings in courts of limited jurisdiction; and appropriated the anticipated revenue received from the surcharge to the Judiciary for court automation activities ($978,400 per year) and a water adjudication study ($5,000 per year).

In addition, the legislature added $557,385 over the biennium for foster care activities: a) $145,000 per year for the Judiciary to coordinate a statewide foster care and adoption study, funded with $35,000 of general fund and $110,000 of federal grant funds each year; and b) $139,850 in fiscal 1996 and $127,535 in fiscal 1997 (general fund) to continue and expand the local foster care review board pilot project, which was started in the 1995 biennium.

The legislature also added $25,000 over the biennium for a child support pilot project in Missoula, to fund computer connections between the court and child support enforcement officials. State and federal child support funds support the pilot project.

The legislature also increased judges' and law clerks' salaries, added a personnel and training officer position, and added funds to the Law Library for book inflation and continuation of the code exchange program.

Finally, the Clerk of Court budget was reduced by approximately $88,000 over the biennium contingent upon passage and approval of SB 249, which would have eliminated the elected Clerk of Court January 1, 1996. However, the Governor vetoed SB 249. Now, because of the contingency language added by the legislature, the Clerk of Court's original FTE level and budget will be reinstated.

Other Legislation

The legislature approved four bills which affected the Judiciary budget. The Governor vetoed one of them (SB 249). Although none of the three directly appropriated funds to the Judiciary, the legislature added or eliminated funds to implement these bills.

House Bill 17 - The Judiciary was appropriated funds through the pay plan bill, which is discussed in more detail in the front of the book. The bill increased the salaries of Supreme Court justices, district court judges, and the Clerk of the Supreme Court. Table 1 shows the current salaries, new salaries, and the effective dates of the increases for those officials.

Table 1
HB 17 Salary Increases

Official	Current Salary	Salary 7/1/95	Salary 1/1/96
Chief Justice of Supreme Court	$65,722	$67,595	$70,231
Other Supreme Court Justice	64,452	66,289	68,874
District Court Judge	63,178	64,979	67,513
Clerk of Supreme Court	36,537	37,578	39,044

The bill also provides for a mechanism to increase these salaries in future biennia. The Department of Administration must now conduct a salary survey of similar officials in North Dakota, South Dakota, Wyoming and Idaho prior to June 30 of each even-numbered year (beginning June 30, 1996). Through this survey, the department will determine the average salaries for those positions in those states. The salary of the Montana officials will be included in the calculation of the average salaries. If the average salary of the states is greater than what the Montana officials are receiving, their salaries will be increased to the average salary identified for their position by the survey at the beginning of each odd-numbered year.

House Bill 176 - This bill authorized a $5 user surcharge on certain filings in courts of original jurisdiction to provide funding for continued court automation activities. The surcharge is expected to generate revenue of approximately $983,400 per year for four years, at which time the legislation authorizing the surcharge terminates (June 30, 1999). The legislature appropriated $978,400 of these state special revenue funds each year in HB 2 to the Judiciary to fund 5.0 FTE and operating costs associated with court automation.

Senate Bill 249 - This bill would have eliminated the elected Clerk of Court effective January 1, 1996, and transferred those functions to the Office of the Supreme Court Administrator. The legislature reduced the Clerk of Court program budget by $29,376 and a 0.5 FTE in fiscal 1996 and $58,951 and 1.0 FTE in fiscal 1997 to implement the legislation, with contingency language reinstating the budget in case the legislation was not approved by the Governor.

The Governor vetoed SB 249. Because of the contingency language discussed above and shown in the Clerk of Court narrative that follows, the Clerk of Court program's former FTE and expenditure level will be restored.

Senate Bill 387 - This legislation established a water rights advisory committee, appointed by the chief water judge, to provide recommendations on methods to improve and expedite Montana's water adjudication process. While the bill did not provide funding for the water rights advisory committee, the legislature appropriated $5,000 per year of court user surcharge funds authorized in HB 176 to the Judiciary to fund committee operations.

2110 00 00000 **JUDICIARY** Agency Summary Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	89.25	91.25	97.75	6.50	91.25	97.25	6.00	6.00
Personal Services	4,796,465	4,936,703	5,218,133	281,430	4,942,415	5,208,575	266,160	547,590
Operating Expenses	824,295	1,175,967	1,345,742	169,775	1,166,133	1,311,872	145,739	315,514
Equipment	271,857	291,420	963,115	671,695	269,420	902,583	633,163	1,304,858
Total Costs	$5,892,617	$6,404,090	$7,526,990	$1,122,900	$6,377,968	$7,423,030	$1,045,062	$2,167,962
Fund Sources								
General Fund	5,351,461	5,784,248	5,888,770	104,522	5,753,514	5,811,061	57,547	162,069
State/Other Special	541,156	509,842	1,515,720	1,005,878	514,454	1,501,969	987,515	1,993,393
Federal Special	0	110,000	122,500	12,500	110,000	110,000	0	12,500
Total Funds	$5,892,617	$6,404,090	$7,526,990	$1,122,900	$6,377,968	$7,423,030	$1,045,062	$2,167,962

EXECUTIVE BUDGET COMPARISON

Executive Budget Comparison

The legislature made the following changes to the Executive Budget for this agency:

1) eliminated 2.0 FTE and general fund of $160,487 over the biennium for court automation activities;

2) added 1.0 FTE personnel/training officer (requested through an elected official new proposal), and funded the position with $85,293 of funds included in the Executive Budget present law adjustments for court automation activities;

3) added an elected official new proposal for law clerk pay parity, which resulted in increased general fund of $86,102 over the biennium;

4) added general fund of $55,910 over the biennium to the Law Library program for book purchases, inflation, and the code exchange program;

5) added $25,000 in fiscal 1996, for a biennial appropriation to purchase equipment for a child support pilot project in Missoula. The pilot project will allow judges to be connected to the child support enforcement computer system. Funds are 50 percent state child support enforcement collections and 50 percent federal funds;

6) added $15,271 of state special revenue funds to the Water Court, which was the result of starting with the fiscal 1994 base budget instead of the executive present law budget (the base budget was higher than the present law);

7) added $2,727 of general fund in fiscal 1996 for legislative audit costs that were omitted from the Executive Budget;

8) added 3.0 FTE and general fund of $267,385 over the biennium to continue and expand the foster care local review board pilot project;

9) added $1,956,800 of state special revenue funds and 5.0 FTE to continue court automation activities, contingent upon passage and approval of HB 176;

10) added $10,000 of state special revenue funds for a water adjudication study, contingent upon passage of both HB 176 and SB 387; and

11) eliminated $88,327 of general fund and a 0.5 FTE in fiscal 1996 and 1.0 FTE in fiscal 1997 to implement SB 249, which would have eliminated the elected Clerk of Court on January 1, 1996. Since the Governor vetoed SB 249, the position and funding will be restored.

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JUDICIARY
Program Summary

SUPREME COURT OPERATIONS

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	28.75	9.00	0.00	37.75	9.00	0.00	37.75	37.75
Personal Services	1,188,348	454,338	(38,863)	1,603,823	465,862	(39,034)	1,615,176	3,218,999
Operating Expenses	386,688	275,196	145,000	806,884	251,217	145,000	782,905	1,589,789
Equipment	12,020	654,405	25,000	691,425	619,703	0	631,723	1,323,148
Total Costs	$1,587,056	$1,383,939	$131,137	$3,102,132	$1,336,782	$105,966	$3,029,804	$6,131,936
Fund Sources								
General Fund	1,587,056	405,539	(3,863)	1,988,732	358,382	(4,034)	1,941,404	3,930,136
State/Other Special	0	978,400	12,500	990,900	978,400	0	978,400	1,969,300
Federal Special	0	0	122,500	122,500	0	110,000	110,000	232,500
Total Funds	$1,587,056	$1,383,939	$131,137	$3,102,132	$1,336,782	$105,966	$3,029,804	$6,131,936

Program Description

The Supreme Court has appellate jurisdiction for the State of Montana. It has original jurisdiction to issue, hear, and determine writs of habeas corpus and other such writs as may be provided by law. It also has general supervisory control over all other courts in the state. The Supreme Court is also charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admission to the bar, and the conduct of its members. The Supreme Court consists of a chief justice and six justices. The Supreme Court Operations program manages the day-to-day operations of the court and administers special projects related to foster care and adoption placements.

Funding

The Supreme Court Operations program is funded with general fund, state special revenue funds, and federal funds. General fund supports supreme court operations and continuation of the local foster care review board pilot program, and is used as match for the portion of federal funds supporting a foster care study ($110,000 per year). State special revenue comes from two sources: a $5 user surcharge on court filings and state child support enforcement funds. The user surcharge was authorized in HB 176, and amounts to $978,400 per year in this budget. The state child support enforcement funds amount to $12,500 per year, and are used to match $12,500 of federal child support funds per year included in this budget for a child support pilot project.

Present Law Adjustments

1) Personal Services - The legislature added 9.0 FTE and $454,338 in fiscal 1996 and $465,862 in fiscal 1997 as a net result of the following:

> a) general fund adjustments for vacancy savings, increased insurance and benefit costs, and continuation of the fiscal 1995 pay increase;
>
> b) elimination of 2.0 FTE (included in the Executive Budget as a present law adjustment) and general fund of $80,100 in fiscal 1996 and $80,387 in fiscal 1997 for court automation activities;
>
> c) the addition of $43,051 general fund each year for law clerk pay parity;

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$454,338	$465,862
2 Inflation/Deflation	273	853
3 Fixed Costs	85,425	69,581
Other Present Law Adjustments		
4 Equipment	654,405	619,703
5 Court automation operating	155,500	155,500
6 Foster care local review board operating	29,700	20,985
7 Miscellaneous	4,298	4,298
Total Present Law Adjustments	$1,383,939	$1,336,782

d) the addition of 1.0 FTE through a present law adjustment for a personnel/training officer, which is general fund supported ($42,790 in fiscal 1996 and $42,503 in fiscal 1997). Funds for this addition were originally included in the Executive Budget as a present law adjustment for court automation activities;

e) the addition of 5.0 FTE and state special revenue funds of $193,875 in fiscal 1996 and $199,277 in fiscal 1997 for court automation activities, contingent upon passage and approval of HB 176; and

f) the addition of 3.0 FTE and general fund of $102,850 in fiscal 1996 and $106,550 in fiscal 1997 for continuation of the local foster care review board pilot project.

5) Equipment - The legislature added $654,405 in fiscal 1996 and a net $619,703 in fiscal 1997 for equipment purchases. General fund amounting to $25,380 was added in fiscal 1996 to purchase a replacement vehicle and office and computer equipment for the new foster care local review board staff, while general fund equipment purchases of $3,920 were eliminated in fiscal 1997. State special revenue from the $5 user surcharge on court filings authorized in HB 176 supports remaining equipment purchases, which amount to $629,025 in fiscal 1996 and $623,623 in fiscal 1997, and will be used to purchase court automation equipment.

6) Court Automation Operating - The legislature added state special revenue of $155,500 per year for operating expenses associated with court automation activities. State special revenue funds these expenses, and is derived from the $5 user surcharge on certain court filings authorized in HB 176.

7) Foster Care Local Review Board Operating - The legislature added general fund of $29,700 in fiscal 1996 and $20,985 in fiscal 1997 for operating expenses associated with the foster care local review boards, which became operational in the 1995 biennium.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Foster Care Study	0.00	$35,000	$145,000	0.00	$35,000	$145,000
2 Personal Services Reductions	0.00	(36,080)	(36,080)	0.00	(36,251)	(36,251)
3 District Ct Reimbursement PS Reductions	0.00	(2,783)	(2,783)	0.00	(2,783)	(2,783)
4 Child Support-Missoula Pilot	0.00	0	25,000	0.00	0	0
Totals	0.00	($3,863)	$131,137	0.00	($4,034)	$105,966

New Proposals

1) Foster Care Study - The legislature added $145,000 per year to: a) perform a comprehensive statewide foster care and adoption study; and b) implement recommendations arising out of the study in order to improve foster care and adoptions in Montana.

The new proposal includes $35,000 of general fund each year of the 1997 biennium to match $110,000 per year of federal grant funds. The agency received $75,000 of initial grant funds in January 1995, which did not require any state match. The Judiciary will use federal spending authority added to the budget in the November 1993 Special Session, to expend the $75,000 in fiscal 1995.

The five-year federal grant requires a 25 percent state match, and the funds must be used by the highest court in the state to perform a foster care/adoption study and implement the recommendations arising out of that study. The Judiciary testified that it will act as the "lead agency" in the study, which will be a group effort of various public and private interest groups.

2) Personal Services Reduction - The legislature reduced general fund personal services expenditures by $36,080 in fiscal 1996 and $36,251 in fiscal 1997. This reduction is equal to 5 percent of personal services after exclusion of supreme court judges' salaries.

3) District Court Reimbursement Personal Services Reduction - The legislature approved a general fund personal services reduction of $2,783 each year in the District Court Reimbursement program, which is funded through a statutory appropriation. Because statutorily appropriated funds are not included in the general appropriations act, the reduction is reflected in this program budget.

4) Child Support - Missoula Pilot - The legislature added a $25,000 one-time only, biennial, restricted appropriation for a pilot project in Missoula county to facilitate computer communication between judges and child support enforcement officials. Funding is 50 percent state child support enforcement collections and 50 percent federal funds.

Language

"The administrator of the Supreme Court shall prepare a report for the Fifty-fifth Legislature on the activities and accomplishments of the Local Citizen Review Board Pilot Program in item 1c [Foster Care Local Review Board Pilot]."

"Item 1d [Court Automation] is contingent on passage and approval of House Bill No. 176." (HB 176 was passed and approved.)

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JUDICIARY
Program Summary

BOARDS AND COMMISSIONS

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	60,059	13,365	(3,658)	69,766	13,627	(3,671)	70,015	139,781
Operating Expenses	109,594	32,766	0	142,360	32,755	0	142,349	284,709
Equipment	14,905	(14,905)	0	0	(14,905)	0	0	0
Total Costs	$184,558	$31,226	($3,658)	$212,126	$31,477	($3,671)	$212,364	$424,490
Fund Sources								
General Fund	184,558	31,226	(3,658)	212,126	31,477	(3,671)	212,364	424,490
Total Funds	$184,558	$31,226	($3,658)	$212,126	$31,477	($3,671)	$212,364	$424,490

Program Description

The Boards and Commissions program oversees functions assigned to the Supreme Court either by legislative or constitutional mandate. The Boards and Commissions program manages judicial discipline, rules, admissions to the bar, and other substantive matters aimed at improving and maintaining the administration of justice. Commissions and boards included in the program are: the Judicial Standards Commission; Sentence Review Division; Commission on Practice; Board of Bar Examiners; and the Judicial Nominations Commission.

Funding

The Boards and Commissions program is funded with general fund. However, a portion of the costs are recovered through deposit of fee revenue from Courts of Limited Jurisdiction (CLJ) training and attorney investigation repayments. In fiscal 1994, $62,345 was deposited to the general fund from these fees, and the agency anticipates that the 1997 biennium deposits will be similar.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$13,365	$13,627
2 Inflation/Deflation	1,092	1,670
3 Fixed Costs		
Other Present Law Adjustments		
4 Attorney Investigations	$21,000	$21,000
5 Supplies	3,566	3,566
6 Travel	6,534	6,534
7 Equipment	(14,905)	(14,905
8 Miscellaneous	574	(15
Total Present Law Adjustments	$31,226	$31,477

Present Law Adjustments

1) Personal Services - The legislature added funds primarily because of vacancy savings experienced in fiscal 1994.

4) Attorney Investigations - The legislature added general fund of $21,000 per year for contracted investigation services due to the increase in the number of complaints being filed against attorneys.

5) Supplies - The legislature added $3,566 per year for books and reference materials for CLJ training.

6) Travel - The legislature added $6,534 per year for increased travel for the Boards and Commissions program, Commission on Practice, and Judicial Standards Commission.

7) Equipment - The legislature reduced equipment expenditures by $14,905 per year, leaving no equipment budget in this program.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions		($3,658)	($3,658)		($3,671)	($3,671)
Totals		($3,658)	($3,658)		($3,671)	($3,671)

New Proposals

1) Personal Services Reduction - The legislature approved a 5 percent vacancy savings rate in this program, resulting in a general fund savings of $3,658 in fiscal 1996 and $3,671 in fiscal 1997.

2110 03 00000 JUDICIARY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
LAW LIBRARY								
FTE	6.50	0.00	0.00	6.50	0.00	0.00	6.50	6.50
Personal Services	207,628	11,859	(10,928)	208,559	12,632	(10,964)	209,296	417,855
Operating Expenses	80,636	6,257	0	86,893	6,719	0	87,355	174,248
Equipment	220,814	39,606	0	260,420	38,776	0	259,590	520,010
Total Costs	$509,078	$57,722	($10,928)	$555,872	$58,127	($10,964)	$556,241	$1,112,113
Fund Sources								
General Fund	509,078	57,722	(10,928)	555,872	58,127	(10,964)	556,241	1,112,113
Total Funds	$509,078	$57,722	($10,928)	$555,872	$58,127	($10,964)	$556,241	$1,112,113

Program Description

The State Law Library houses reference materials used by the Supreme Court, lower courts, the legislature, state officers and employees, members of the bar, and the general public. Some of the books and materials contained in the library include treatises, law reviews, reports, microfilm, and audio/video tapes for continuing legal education. The State Law Library is governed by a Board of Trustees which consists of the Supreme Court justices. The Board appoints the Law Librarian, who oversees the day-to-day operations of the library.

Funding

The Law Library is funded with general fund. However, a portion of the costs are recovered through fees deposited to the general fund. Fees are charged for copies, faxes, and rental of audio/video cassettes. In fiscal 1994, fee revenue deposited to the general fund totalled $45,687. The agency anticipates that fee revenue in the 1997 biennium will be similar to the fiscal 1994 amount.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$11,859	$12,632
2 Inflation/Deflation	49	(339)
3 Fixed Costs	(23)	(23)
Other Present Law Adjustments		
4 Copies/Faxes	$1,639	$2,489
5 Toll-Free Phone	2,500	2,500
6 Equipment	11,236	11,236
7 Book Purchases/Book Inflation/Code Exchange	28,370	27,540
8 Miscellaneous	2,092	2,092
Total Present Law Adjustments	$57,722	$58,127

Present Law Adjustments

1) Personal Services - The legislature added general fund of $11,859 in fiscal 1996 and $12,632 in fiscal 1997 due to fiscal 1994 vacancy savings, increases in benefits and insurance, and continuation of the fiscal 1995 pay plan.

4) Copies/Faxes - The legislature added general fund of $1,639 in fiscal 1996 and $2,489 in fiscal 1997 for the increased cost of providing more copies and faxes for library customers.

The library charges customers a fee for copies and faxes, and deposits this revenue to the general fund. In fiscal 1994, these deposits totaled $27,402.

5) Toll-Free Phone - The legislature added general fund of $2,500 per year to install a 1-800 phone number at the Law Library. Currently, Law Library staff return all customer calls from outside Helena by calling "collect."

6) Equipment - The legislature added general fund of $11,236 per year for replacement of audio/video cassettes and miscellaneous equipment. Approximately $9,000 per year is added for audio/video cassette replacement. The library rents out the audio/video cassettes to customers for a fee, which is deposited to the general fund. In fiscal 1994, these deposits totaled $18,285.

7) Book Purchases/Book Inflation/Code Exchange - The legislature added general fund of $28,370 in fiscal 1996 and $27,540 in fiscal 1997 for book purchases, book inflation, and participation in the code exchange program.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		($10,928)	($10,928)		($10,964)	($10,964)
Totals		($10,928)	($10,928)		($10,964)	($10,964)

New Proposals

1) Personal Services Reduction - The legislature approved implementation of a 5 percent vacancy savings rate in this program, resulting in a general fund savings of $10,928 in fiscal 1996 and $10,964 in fiscal 1997.

2110 04 00000 **JUDICIARY** Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
DISTRICT COURT OPERATIONS								
FTE	37.00	0.00	0.00	37.00	0.00	0.00	37.00	37.00
Personal Services	2,763,869	36,221	0	2,800,090	36,221	0	2,800,090	5,600,180
Operating Expenses	121,159	44,946	0	166,105	42,688	0	163,847	329,952
Equipment	6,495	(1,095)	0	5,400	(1,095)	0	5,400	10,800
Total Costs	$2,891,523	$80,072	$0	$2,971,595	$77,814	$0	$2,969,337	$5,940,932
Fund Sources								
General Fund	2,891,523	80,072	0	2,971,595	77,814	0	2,969,337	5,940,932
Total Funds	$2,891,523	$80,072	$0	$2,971,595	$77,814	$0	$2,969,337	$5,940,932

Program Description

The District Court Operations program funds salaries, travel, and training for Montana's elected district judges. Other operational costs of the district courts are paid by other state agencies and local governments. District courts are general jurisdiction trial courts having original jurisdiction in all criminal felony cases, civil matters, and cases at law.

Funding

The District Court Operations program is funded with general fund.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$36,221	$36,221
2 Inflation/Deflation	1,168	2,041
3 Fixed Costs	(71)	1,798
Other Present Law Adjustments		
4 Travel	$35,000	$35,000
5 Judges Benchbook/Deskbook	5,000	2,500
6 Equipment	(1,095)	(1,095)
7 Miscellaneous	3,849	1,349
Total Present Law Adjustments	$80,072	$77,814

Present Law Adjustments

1) Personal Services - While some vacancy savings was experienced in fiscal 1994, most of this increase is due to increased insurance and benefit costs and an additional $12,794 per year for compensation for retired judges who hear carryover cases for newly elected judges.

4) Travel - The legislature added general fund of $35,000 each year for increased travel costs associated with high turnover in district court judges. There are seven newly elected district court judges in fiscal 1995. Travel costs increase because: a) the new judges attend a judges training session at the National Judicial College; b) retired judges are called in, and must travel throughout the state to hear cases that new judges cannot sit for; and c) current judges travel outside their district to assist in hearing the carryover cases that new judges cannot sit for.

5) Judges Benchbook/Deskbook - The legislature added general fund to contract for the research, drafting, and final preparation of the judges benchbook and deskbook so that they reflect updates from legislation and case law.

6) Equipment - The legislature reduced equipment by $1,095 each year, leaving sufficient funds to purchas replacement computer equipment.

2110 05 00000

JUDICIARY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				WATER COURTS SUPERVISION				
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00	11.00
Personal Services	427,790	2,539	(21,336)	408,993	3,857	(21,409)	410,238	819,231
Operating Expenses	100,216	15,611	0	115,827	13,115	0	113,331	229,158
Equipment	13,150	(13,150)	0	0	(13,150)	0	0	0
Total Costs	$541,156	$5,000	($21,336)	$524,820	$3,822	($21,409)	$523,569	$1,048,389
Fund Sources								
State/Other Special	541,156	5,000	(21,336)	524,820	3,822	(21,409)	523,569	1,048,389
Total Funds	$541,156	$5,000	($21,336)	$524,820	$3,822	($21,409)	$523,569	$1,048,389

Program Description

The Water Courts Supervision program adjudicates claims of existing water rights in Montana and supervises the distribution of water among the four water divisions of the state as defined in section 3-7-102, MCA. The program goal is to expedite the adjudication of water rights established prior to 1973 and existing water rights in all of the state water basins.

Funding

The Water Courts Supervision program is funded with state special revenue funds from the Renewable Resource Grant and Loan account and court automation funds derived from a $5 user surcharge on certain court filings. The main sources of revenue to the Renewable Resource Grant and Loan account are proceeds from the Resource Indemnity and Ground Water Assessment (RIGWA) tax and interest earnings on the Resource Indemnity Tax (RIT) Trust. The user surcharge on court filings was authorized through HB 176, and is used in this program to fund a water adjudication advisory committee.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$2,539	$3,857
2 Inflation/Deflation	257	(915
3 Fixed Costs	1,004	963
Other Present Law Adjustments		
4 Consultant Services	($4,000)	($4,000
5 Rent Increase	3,000	3,000
6 Equipment	(13,150)	(13,150
7 Start at Base instead of Present Law	9,978	5,293
8 Water Adjudication Advisory Committe	5,000	5,000
9 Miscellaneous	372	3,774
Total Present Law Adjustments	$5,000	$3,822

Present Law Adjustments

1) Personal Services - The legislature added state special revenue of $2,539 in fiscal 1996 and $3,857 in fiscal 1997 primarily to continue the fiscal 1995 pay plan increase.

4) Consultant Services - The legislature reduced consultant services by $4,000 per year to equal the executive request for no expenditures in the 1997 biennium.

5) Rent - The legislature added $3,000 per year for increased rent.

6) Equipment - The legislature reduced equipment expenditures by $13,150 to equal the agency request for no equipment budget in the 1997 biennium.

7) Start at Base Instead of Present Law - The legislature added state special revenue of $9,978 in fiscal 1996 and $5,293 in fiscal 1997 due to approval of the higher fiscal 1994 base budget as a starting point instead of the executive present law budget for each year of the 1997 biennium.

8) Water Adjudication Advisory Committee - The legislature added $5,000 of state special revenue each year to fund the water adjudication advisory committee established in SB 387. Funding for the committee is derived from the $5 user surcharge on certain court filings authorized by HB 176.

2110 05 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions			($21,336)			($21,409)
Totals			($21,336)			($21,409)

New Proposals

1) Personal Services Reduction - The legislature approved implementation of 5 percent vacancy savings each year, resulting in state special revenue savings of $21,336 in fiscal 1996 and $21,409 in fiscal 1997.

Language

"The appropriation in item 5a [SB 387 - Water Adjudication Advisory Committee] is contingent upon passage and approval of both Senate Bill No. 387 and House Bill No. 176." (SB 387 and HB 176 were passed and approved.)

2110 06 00000
JUDICIARY
Program Summary

CLERK OF COURT

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	4.00	(0.50)	0.00	3.50	(1.00)	0.00	3.00	3.00
Personal Services	148,771	(16,582)	(5,287)	126,902	(39,695)	(5,316)	103,760	230,662
Operating Expenses	26,002	1,671	0	27,673	(3,917)	0	22,085	49,758
Equipment	4,473	1,397	0	5,870	1,397	0	5,870	11,740
Total Costs	$179,246	($13,514)	($5,287)	$160,445	($42,215)	($5,316)	$131,715	$292,160
Fund Sources								
General Fund	179,246	(13,514)	(5,287)	160,445	(42,215)	(5,316)	131,715	292,160
Total Funds	$179,246	($13,514)	($5,287)	$160,445	($42,215)	($5,316)	$131,715	$292,160

Program Description

The Clerk of Court performs support and operational duties for the Supreme Court, as outlined in Title 3, Chapter 2, Part 4, MCA. The program keeps the court records and files, issues writs and certificates, approves bonds, files all papers and transcripts, and performs other duties as required.

Funding

The Clerk of Court program is funded with general fund. Because of: 1) legislative reductions to implement SB 249; 2) the SB 249 contingency language discussed below; and 3) the fact that the Governor vetoed SB 249; the Clerk of Court's general fund support will be increased in the 1997 biennium by $29,376 in fiscal 1996 and $58,951 in fiscal 1997. This amount will support 0.5 FTE in 1996 and 1.0 FTE in 1997 that will also be reinstated.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$4,454	$5,139
2 Inflation/Deflation	937	1,126
3 Fixed Costs	250	250
Other Present Law Adjustments		
4 Other Services	$3,124	$3,124
5 Postage	3,260	3,260
6 Rent	1,375	1,375
7 Equipment	1,397	1,397
8 Miscellaneous	1,065	1,065
9 SB 249 Reduction	(29,376)	(58,951)
Total Present Law Adjustments	($13,514)	($42,215)

Present Law Adjustments

1) Personal Services - The legislature increased personal services by $4,454 in fiscal 1996 and $5,139 in fiscal 1997 for continuation of the fiscal 1995 pay increase and increased insurance and benefit costs.

4) Other Services - The legislature added general fund of $3,124 per year to continue fiscal 1994 printing expenditures.

5) Postage - The legislature added general fund of $3,260 per year for an increased volume of mail associated with increased workload.

6) Rent - The legislature added general fund of $1,375 per year to allow the Clerk of Court to have all Supreme Court files from fiscal 1988 through fiscal 1994 transferred to and stored by Records Management.

7) Equipment - The legislature added general fund of $1,397 per year to equal the program request for replacement furniture and shelving.

9) Senate Bill 249 Reduction - The legislature reduced this budget by 0.5 FTE and $29,376 in fiscal 1996 and 1.0 FTE and $58,951 in fiscal 1997 to implement SB 249, which would have eliminated the elected Clerk of Court. The legislature also added contingency language, shown below, to restore that budget if the bill were not approved by the Governor.

The Governor vetoed SB 249. Therefore, the Clerk of Court's former FTE and expenditure levels will be restored.

2110 06 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions	0.00	($5,287)	($5,287)	0.00	($5,316)	($5,316)
Totals	0.00	($5,287)	($5,287)	0.00	($5,316)	($5,316)

New Proposals

1) Personal Services Reduction - The legislature approved implementation of 3.4 percent vacancy savings each year, resulting in general fund savings of $5,287 in fiscal 1996 and $5,316 in fiscal 1997.

Language

"If Senate Bill 249 is not passed and approved, the appropriation in item 6 [Clerk of Court] is increased by $29,376 in fiscal year 1996 and $58,951 in fiscal year 1997." (SB 249 was vetoed by the Governor.)

2115 00 00000

MT CHIROPRACTIC LEGAL PANEL

Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	14,000	0	14,000	14,000	0	14,000	28,000
Total Costs	$0	$14,000	$0	$14,000	$14,000	$0	$14,000	$28,000
Fund Sources								
State/Other Special	0	14,000	0	14,000	14,000	0	14,000	28,000
Total Funds	$0	$14,000	$0	$14,000	$14,000	$0	$14,000	$28,000

Agency Description

The Montana Chiropractic Legal Panel reviews all malpractice claims or potential claims against chiropractic physicians to: a) prevent, when possible, filed court actions against chiropractic physicians and their employees for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice; and b) make possible the fair and equitable disposition of such claims against chiropractic physicians as are or reasonably may be well founded (title 27, chapter 12, MCA). A panel, consisting of three chiropractic physicians licensed in Montana and three attorneys who are members of the state bar of Montana, is appointed to review each malpractice claim or potential claim. The panel is managed by an executive director appointed by the executive director of the Montana Chiropractic Association.

Summary of Legislative Action

The legislature increased funding over the actual fiscal 1994 expenditures primarily in anticipation of an increased number of claims.

Funding

The Montana Chiropractic Legal Panel is funded through state special revenue funds derived from annual assessments levied on all chiropractic physicians. In fiscal 1994, the assessments generated state special revenue of $12,900.

The amount of the assessment is annually set by the director and equally assessed against all chiropractic physicians. If there are surplus funds remaining from the assessments at the end of the fiscal year, the surplus funds must be used to finance operations of the panel during the following fiscal year, and the director must reduce the next annual assessment accordingly.

Present Law Adjustments

Senate Bill 83 - Statutory Appropriation Elimination - As a result of the passage of SB 83, all expenditures associated with the Montana Chiropractic Legal Panel, which had been funded through a statutory appropriation in previous biennia, are now appropriated in HB 2. In fiscal 1994, the program expended $8,840 out of its $14,000 appropriation. The fiscal 1995 appropriation is $12,000. The 1997 biennium appropriation is $14,000 per year, which supports operations of the panel.

Language

Because of elimination of the statutory appropriation by SB 83, item 1 [Legal Panel Operations] has been increased by $14,000 in state special revenue in fiscal year 1996 and $14,000 in state special revenue in fiscal year 1997. If SB

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$0	$0
2 Inflation/Deflation	0	0
3 Fixed Costs	0	0
Other Present Law Adjustments		
4 SB 83 - Statutory Approp Elimination	14,000	14,000
Total Present Law Adjustments	$14,000	$14,000

83 is not passed and approved in a form th eliminates the statutory appropriation, then tl state special revenue amounts in item 1 a eliminated."

Other Legislation

Senate Bill 83 - This bill eliminated the statutoı appropriation for this program, necessitating that be budgeted in the general appropriations act.

2115 00 00000
MT CHIROPRACTIC LEGAL PANEL
Agency Summary

EXECUTIVE BUDGET COMPARISON

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	14,000	14,000	0	14,000	14,000	28,000
Total Costs	$0	$0	$14,000	$14,000	$0	$14,000	$14,000	$28,000
Fund Sources								
State/Other Special	0	0	14,000	14,000	0	14,000	14,000	28,000
Total Funds	$0	$0	$14,000	$14,000	$0	$14,000	$14,000	$28,000

Executive Budget Comparison

The Executive Budget did not include funding for the Montana Chiropractic Legal Panel, as it had been funded through a statutory appropriation in previous biennia.

3101 00 00000

GOVERNORS OFFICE

Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	53.25	(2.00)	1.00	52.25	(2.00)	1.00	52.25	52.25
Personal Services	1,936,419	224,941	51,059	2,212,419	232,746	54,052	2,223,217	4,435,636
Operating Expenses	579,947	310,887	84,852	975,686	294,371	83,274	957,592	1,933,278
Equipment	43,263	2,687	30,000	75,950	(12,563)	0	30,700	106,650
Grants	0	0	1,875,000	1,875,000	0	1,875,000	1,875,000	3,750,000
Total Costs	$2,559,629	$538,515	$2,040,911	$5,139,055	$514,554	$2,012,326	$5,086,509	$10,225,564
Fund Sources								
General Fund	2,313,554	310,116	8,300	2,631,970	298,586	(22,007)	2,590,133	5,222,103
State/Other Special	117,977	154,886	50,000	322,863	142,401	50,000	310,378	633,241
Federal Special	128,098	73,513	1,982,611	2,184,222	73,567	1,984,333	2,185,998	4,370,220
Total Funds	$2,559,629	$538,515	$2,040,911	$5,139,055	$514,554	$2,012,326	$5,086,509	$10,225,564

Agency Description

The Office of the Governor exists under authority contained in Article VI of the Montana constitution. The Governor has constitutional and statutory authority to administer the affairs of the state of Montana, appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution, approve or veto legislation, report to the legislature on the condition of the state, submit a biennial executive budget, grant reprieves and pardons, serve on various boards and commissions as provided by the constitution and statutes, and represent the state in relations with other governments and the public.

Reorganization

Senate Bill 4 transfers the Coordinator of Indian Affairs program from the Department of Commerce to the Governor's Office beginning fiscal 1996. The transfer includes 2.0 FTE and over $108,000 general fund each year of the biennium.

Summary of Legislative Action

The legislature approved: 1) present law changes to this agency; 2) retention of the Montana Office of Community Services in the Executive Office Program of the Governor's Office rather than move the office to the Department of Labor and Industry; 3) $4.0 million in federal funds ($250,000 less than originally proposed) for grants to conduct community service projects (in the 1995 biennium, these funds were statutorily appropriated); 4) the transfer of the Coordinator of Indian Affairs program from the Department of Commerce to the Governor's Office (for additional information, see the "Reorganization" narrative); and 5) $5,000 general fund for legislative use of the toll-free line provided by the Citizen's Advocate Office.

Other Legislation

House Bill 18 - This bill increases the Governor's statutory appropriation for an emergency or disaster due to fire from $3 million to $10 million general fund in any biennium.

House Bill 142 - This bill creates a statutory appropriation of up to $10,000 general fund per incident for response by disaster and emergency services personnel (not to exceed $100,000 for all incidents in a biennium). An "incident" is defined as an event or occurrence, caused by either an individual or by natural phenomena, requiring action by

disaster and emergency services personnel to prevent or minimize loss of life or damage to property or natural resources.

Senate Bill 4 - This bill transfers the Coordinator of Indian Affairs program to the Governor's Office. For additional information, see the "Reorganization" narrative.

3101 00 00000
GOVERNORS OFFICE — **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	53.25	52.00	52.25	0.25	52.00	52.25	0.25	0.25
Personal Services	1,936,419	2,187,602	2,212,419	24,817	2,198,460	2,223,217	24,757	49,574
Operating Expenses	579,947	806,296	975,686	169,390	798,734	957,592	158,858	328,248
Equipment	43,263	86,450	75,950	(10,500)	35,700	30,700	(5,000)	(15,500)
Grants	0	0	1,875,000	1,875,000	0	1,875,000	1,875,000	3,750,000
Total Costs	$2,559,629	$3,080,348	$5,139,055	$2,058,707	$3,032,894	$5,086,509	$2,053,615	$4,112,322
Fund Sources								
General Fund	2,313,554	2,656,963	2,631,970	(24,993)	2,606,557	2,590,133	(16,424)	(41,417)
State/Other Special	117,977	174,913	322,863	147,950	175,247	310,378	135,131	283,081
Federal Special	128,098	248,472	2,184,222	1,935,750	251,090	2,185,998	1,934,908	3,870,658
Total Funds	$2,559,629	$3,080,348	$5,139,055	$2,058,707	$3,032,894	$5,086,509	$2,053,615	$4,112,322

Executive Budget Comparison

The legislature did not approve three proposals recommended by the executive for new equipment in the Office of Budget and Program Planning (OBPP). The legislature approved the addition of 0.75 FTE in OBPP and reduced contracted services by $10,000 each year. An additional $5,000 general fund for the biennium was added to the Citizen's Advocate office budget to allow legislators use of the toll-free line.

Funding for the Montana Office of Community Services was restored to the Governor's Office. The legislature also approved $4.0 million of additional federal funds for the biennium for grants to conduct community service projects. The Executive Budget proposed moving this office to the Department of Labor and Industry, but the legislation that would have effected this move did not pass.

State special revenue appropriated for the Montana Consensus Council was $28,000 more per year than the amount requested in the original executive new proposal.

3101 01 00000 GOVERNORS OFFICE Program Summary	EXECUTIVE OFFICE PROGRAM							
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	20.50	0.00	0.25	20.75	0.00	0.25	20.75	20.75
Personal Services	732,522	178,659	14,123	925,304	181,512	14,173	928,207	1,853,511
Operating Expenses	208,214	254,759	40,846	503,819	241,018	40,588	489,820	993,639
Equipment	31,763	(15,173)	30,000	46,590	(17,363)	0	14,400	60,990
Grants	0	0	1,875,000	1,875,000	0	1,875,000	1,875,000	3,750,000
Total Costs	$972,499	$418,245	$1,959,969	$3,350,713	$405,167	$1,929,761	$3,307,427	$6,658,140
Fund Sources								
General Fund	883,522	149,359	34,969	1,067,850	136,266	4,761	1,024,549	2,092,399
State/Other Special	88,977	143,886	50,000	282,863	143,901	50,000	282,878	565,741
Federal Special	0	125,000	1,875,000	2,000,000	125,000	1,875,000	2,000,000	4,000,000
Total Funds	$972,499	$418,245	$1,959,969	$3,350,713	$405,167	$1,929,761	$3,307,427	$6,658,140

Program Description

The Executive Office Program provides support to the Governor in overseeing and coordinating the activities of the executive branch of Montana state government. The program provides administrative, legal, press, and centralized services support for the Office of the Governor, as well as executive administration of programs with special impact on the citizens and governmental concerns of Montana. Special programs include coordination of services for senior citizens and preserving clean water in the Flathead Basin, coordination of the Montana Community Services Act, and oversight of the Montana Consensus Council.

Funding

The program's general operations are funded by general fund.

State special revenue funds include: 1) $83,038 each year for Flathead Basin Commission operations from private sources; 2) $39,876 in fiscal 1996 and $40,206 in fiscal 1997 from RIT interest funds for Flathead Basin Commission administrative support; 3) $15,000 each year for indirect cost reimbursements from federal sources; 4) approximately $95,000 each year from the employment security account for operation of the Montana Community Services Act (these funds are the unexpended portion of the 1995 biennium appropriation of $500,000); and 5) $50,000 each year from fees generated for services or from private sources for the Montana Consensus Council.

Federal funds include an administrative grant of $125,000 each year for the Montana Community Services Act and $1,875,000 each year for grants to conduct community service projects.

Present Law Adjustments

1) Personal Services - Increases over the base year are the net result of the 1995 pay plan, termination pay, vacancy savings, and increases in insurance and benefits.

4) Montana Community Services Act (Montana Community, Conservation, and Volunteer Service Corps) - The budget includes an increase of approximately $194,500 each year. This increase is caused by two factors: a) on July 1, 1995, the law no longer provides statutory funds for this office ($60,052 was expended through statutory appropriations in fiscal 1994). Federal authority of $125,000 per year for grants and administration is included; and b) this program was only operational approximately six months in fiscal 1994. Present law adjustments totalling approximately

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$119,215	$121,845
2 Inflation/Deflation	1,937	2,044
3 Fixed Costs	37,881	12,071
Other Present Law Adjustments		
4 Montana Community Services Act	$194,795	$194,480
5 Contracted Services	70,016	82,516
6 Other Expenses	(4,700)	(4,700)
7 Equipment	(899)	(3,089)
Total Present Law Adjustments	$418,245	$405,167

$70,000 each year have been made to annualize these costs for an entire year in fiscal 1996 and 1997.

The legislature did not approve the executive new proposal to move this office to the Department of Labor and Industry (DOLI).

5) Contracted Services - The legislature approved increases primarily due to adjustments in consultant and professional services of approximately: a) a $3,000 decrease in fiscal 1996 and a $7,000 increase in fiscal 1997 for agency legal services; b) a $2,500 increase in fiscal 1997 for session year printing costs; and c) $73,016 for the Flathead Basin Commission for consultant and professional services ($68,016) and publications and graphics ($5,000). If private funds are not received, the spending authority is not used.

6) Other Expenses - A decrease of $4,700 in both years is primarily due to a $5,000 reduction in relocation costs.

7) Equipment - The legislature approved $16,590 in fiscal 1996 and $14,400 in fiscal 1997 for equipment, a decrease of $899 in fiscal 1996 and $3,089 in fiscal 1997 for replacing personal computers, printers, and mail distribution equipment.

3101 01 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Correspondence/Track. Software		$30,000	$30,000			
2 Montana Consensus Council	1.75	65,998	115,998	1.75	66,007	116,007
3 MT Community Services			1,875,000			1,875,000
4 Personal Services Reductions	(1.50)	(61,029)	(61,029)	(1.50)	(61,246)	(61,246)
Totals	0.25	$34,969	$1,959,969	0.25	$4,761	$1,929,761

New Proposals

1) Correspondence Tracking Software - The legislature includes a general fund new proposal to purchase correspondence tracking software for $30,000 in fiscal 1996. All incoming documents would be scanned and filed electronically.

2) Montana Consensus Council - The 1993 legislature established this office in the 1995 biennium and funded the Council with a biennial grant from interest income of the resource indemnity trust (reclamation and development grant) and state special revenue authority, with revenue to be generated by fees charged for services provided or from private sources. The 1995 legislature appropriated general fund monies of $65,998 in fiscal 1996 and $66,007 in fiscal 1997 and state special revenue authority of $50,000 each year, including 1.75 FTE.

3) Montana Office of Community Services - Federal funds of $1,875,000 were approved each year of the 1997 biennium to conduct community service projects. Federal grant funds were statutorily appropriated during the 1995 biennium, but that statutory appropriation sunsets on June 30, 1995.

4) Personal Services Reductions - The legislature approved a new proposal to eliminate 1.5 FTE (0.5 FTE administrative support and 1.0 FTE personal staff), saving $61,029 general fund in fiscal 1996 and $61,246 general fund in fiscal 1997. This proposal reduces personal services by 6.7 percent each year.

Language

"State special revenue appropriated in [the Montana Office of Community Services] includes unexpended 1995 biennium appropriations to the Montana office of community service from the employment security trust account and includes donations, contributions, and grants. In preparing the 1999 biennium budget for legislative consideration, the office of budget and program planning and the legislative fiscal analyst may not include general fund money in the proposed present law funding for the Montana office of community service."

3101 02 00000

GOVERNORS OFFICE Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
MANSION MAINTENANCE PROGRAM								
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	32,317	3,511	0	35,828	3,638	0	35,955	71,783
Operating Expenses	19,052	637	0	19,689	893	0	19,945	39,634
Equipment	0	1,715	0	1,715	1,100	0	1,100	2,815
Total Costs	$51,369	$5,863	$0	$57,232	$5,631	$0	$57,000	$114,232
Fund Sources								
General Fund	51,369	5,863	0	57,232	5,631	0	57,000	114,232
Total Funds	$51,369	$5,863	$0	$57,232	$5,631	$0	$57,000	$114,232

Program Description

The Mansion Maintenance Program is responsible for maintenance of the Governor's official residence.

Funding

The Mansion Maintenance Program is funded entirely by general fund.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$3,511	$3,638
2 Inflation/Deflation	419	722
3 Fixed Costs	218	171
Other Present Law Adjustments		
4 Equipment	$1,715	$1,100
Total Present Law Adjustments	$5,863	$5,631

Present Law Adjustments

1) Personal Services - The increase over the base year is due to the net result of the 1995 pay plan ($1,168), vacancy savings, salary increases, and increases in benefits.

4) Equipment - The legislature approved $1,715 for the replacement of minor kitchen equipment and a clothes dryer in fiscal 1996 and $1,100 in fiscal 1997 for replacement of minor kitchen equipment.

3101 03 00000

GOVERNORS OFFICE — **AIR TRANSPORTATION PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	31,619	1,684	0	33,303	1,801	0	33,420	66,723
Operating Expenses	124,326	(27,446)	0	96,880	(17,119)	0	107,207	204,087
Equipment	0	85	0	85	0	0	0	85
Total Costs	$155,945	($25,677)	$0	$130,268	($15,318)	$0	$140,627	$270,895
Fund Sources								
General Fund	126,945	(11,677)	0	115,268	(1,318)	0	125,627	240,895
State/Other Special	29,000	(14,000)	0	15,000	(14,000)	0	15,000	30,000
Total Funds	$155,945	($25,677)	$0	$130,268	($15,318)	$0	$140,627	$270,895

Program Description

The Air Transportation Program is responsible for providing the Governor with safe and reliable air transportation.

Funding

The Air Transportation Program is funded by general fund, except for $15,000 state special revenue in each year of the 1997 biennium to be funded by fees charged to agencies for use of the Governor's aircraft.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$1,684	$1,801
2 Inflation/Deflation	1,815	4,475
3 Fixed Costs	1,891	1,858
Other Present Law Adjustments		
4 Travel	($4,950)	($4,950)
5 Repair and Maintenance	(30,484)	(22,784)
6 Training	4,282	4,282
7 Equipment	85	
Total Present Law Adjustments	($25,677)	($15,318)

Present Law Adjustments

1) Personal Services - The increase is the net result of the 1995 pay plan, vacancy savings in the base year, and an increase in insurance benefits.

4) Travel - The legislature approved a reduction of $4,950 each year of the biennium for in-state aircraft rental charges.

5) Repair and Maintenance - The legislature approved a reduction of $30,484 in fiscal 1996 and $22,784 in fiscal 1997 to remove cyclical costs not typical in the base year.

6) Training - The annual training of the pilot at Flight Safety School took place in fiscal 1995 and is not reflected in the base.

3101 04 00000 GOVERNORS OFFICE Program Summary				OFFICE OF BDGET & PGM PLANNING				
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	16.25	0.00	0.75	17.00	0.00	0.75	17.00	17.00
Personal Services	670,172	37,522	17,308	725,002	40,696	17,368	728,236	1,453,238
Operating Expenses	113,232	64,086	0	177,318	44,177	0	157,409	334,727
Equipment	3,859	13,501	0	17,360	9,041	0	12,900	30,260
Total Costs	$787,263	$115,109	$17,308	$919,680	$93,914	$17,368	$898,545	$1,818,225
Fund Sources								
General Fund	787,263	90,109	17,308	894,680	81,414	17,368	886,045	1,780,725
State/Other Special	0	25,000	0	25,000	12,500	0	12,500	37,500
Total Funds	$787,263	$115,109	$17,308	$919,680	$93,914	$17,368	$898,545	$1,818,225

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in the preparation and administration of the state budget. In addition, OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments in the executive branch. OBPP acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Funding

This program is funded by general fund, except $25,000 state special revenue in each year of the 1997 biennium from fees charged to agencies for services provided by the new database system that will be developed by OBPP. A portion of the program is supported through assessments for services provided against state and federal funding sources or other state agencies, which are deposited to the general fund.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$37,522	$40,696
2 Inflation/Deflation	(296)	(2,830)
3 Fixed Costs	14,382	7
Other Present Law Adjustments		
4 Contracted Services	$50,000	$46,000
5 Communications	0	1,000
6 Equipment	13,501	9,041
Total Present Law Adjustments	$115,109	$93,914

Present Law Adjustments

1) Personal Services - The increase is due to the net result of the 1995 pay plan ($8,147); vacancy savings in the base year; salary increases; and increases in benefits, longevity, and insurance.

4) Contracted Services - The legislature approved an increase of $50,000 in fiscal 1996 and $46,000 in fiscal 1997. This amount includes increases for: a) creating a new database system ($50,000 in fiscal 1996 and $25,000 in fiscal 1997 split equally between general fund and state special revenue); and b) costs associated with preparation of the budget and the 1997 legislative session ($21,000 in fiscal 1997).

5) Communications - An increase of $1,000 is included in fiscal 1997 for postage and mailing of the executive budget.

6) Equipment - The legislature approved $17,360 in fiscal 1996 and $12,900 in fiscal 1997 for replacement of the following equipment: a) upgrades in software of $6,460 in fiscal 1996 and $3,500 in fiscal 1997; b) replacement of personal computers at $6,900 each year; c) $4,000 for replacement of a laser printer in fiscal 1996; and d) $2,500 for one laptop computer in fiscal 1997.

3101 04 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Administrative Support	0.75	$17,308	$17,308	0.75	$17,368	$17,368
Totals	0.75	$17,308	$17,308	0.75	$17,368	$17,368

New Proposals

1) Administrative Support - The legislature approved additional administrative support, including 0.75 FTE and approximately $17,300 general fund each year.

3101 05 00000

GOVERNORS OFFICE — **INDIAN AFFAIRS**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	4.00	(2.00)	0.00	2.00	(2.00)	0.00	2.00	2.00
Personal Services	129,527	(51,786)	0	77,741	(51,529)	0	77,998	155,739
Operating Expenses	34,993	(4,478)	0	30,515	(4,782)	0	30,211	60,726
Total Costs	$164,520	($56,264)	$0	$108,256	($56,311)	$0	$108,209	$216,465
Fund Sources								
General Fund	100,868	7,388	0	108,256	7,341	0	108,209	216,465
Federal Special	63,652	(63,652)	0	0	(63,652)	0	0	0
Total Funds	$164,520	($56,264)	$0	$108,256	($56,311)	$0	$108,209	$216,465

Program Description

The Coordinator of Indian Affairs program serves as the Governor's liaison with the state's Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues. The coordinator also serves the Montana Congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesman for representative Native American organizations and groups, both public and private, whenever that support is requested. As a result of the passage of SB 4, this program was transferred from the Department of Commerce to this agency.

Reorganization

Senate Bill 4 transfers the Coordinator of Indian Affairs program from the Department of Commerce to the Governor's Office beginning fiscal 1996. The transfer includes 2.0 FTE and over $108,000 general fund each year of the biennium.

Funding

The Coordinator of Indian Affairs program is funded entirely with general fund. Federal funds that supported a portion of the program in the 1995 biennium are not available in the 1997 biennium. Therefore, the legislature eliminated this funding and the 2.0 FTE supported by the funds.

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$3,609	$3,866
2 Inflation/Deflation	353	275
3 Fixed Costs	1,213	970
Other Present Law Adjustments		
4 General Fund Operations	$2,213	$2,230
5 Loss of Federal Funding (-2.00 FTE)	(63,652)	(63,652)
Total Present Law Adjustments	($56,264)	($56,311)

Present Law Adjustments

1) Personal Services - The increase is due to the net of reversions, the pay plan authorized by the 1993 legislature, and increased benefits. Additional personal services changes are explained in number 5 below.

4) General Fund Operations - The legislature approved the executive request for an increase in general fund operations for various miscellaneous expenses, primarily printing.

5) Loss of Federal Funding - Because federal funding budgeted by the Executive Budget will not be available in the 1997 biennium, the legislature eliminated the federal funding and the 2.00 FTE supported by the funds.

3101 12 00000

GOVERNORS OFFICE — **LT. GOVERNOR**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	127,096	47,677	19,628	194,401	48,128	22,511	197,735	392,136
Operating Expenses	37,321	6,578	44,006	87,905	9,472	42,686	89,479	177,384
Equipment	4,496	644	0	5,140	(2,196)	0	2,300	7,440
Total Costs	$168,913	$54,899	$63,634	$287,446	$55,404	$65,197	$289,514	$576,960
Fund Sources								
General Fund	168,913	54,899	(43,977)	179,835	55,404	(44,136)	180,181	360,016
Federal Special	0	0	107,611	107,611	0	109,333	109,333	216,944
Total Funds	$168,913	$54,899	$63,634	$287,446	$55,404	$65,197	$289,514	$576,960

Program Description

The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, section 4 of the Montana constitution, as well as those delegated by the Governor.

In June 1994, the administration of the Montana Rural Development Council (MT RDC) was transferred to the Lieutenant Governor's Office. Federal grant funds received from the Farmers' Home Administration support this function.

Funding

The functions of the Lieutenant Governor's Office are funded by general fund except for federal funds received for the administration of the MT RDC.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$47,677	$48,128
2 Inflation/Deflation	1,398	1,711
3 Fixed Costs	1,630	1,741
Other Present Law Adjustments		
4 Contracted Services	$750	$2,220
5 Communications	2,500	3,500
6 Other Expenses	300	300
7 Equipment	644	(2,196)
Total Present Law Adjustments	$54,899	$55,404

Present Law Adjustments

1) Personal Services - The increase is the net result of the 1995 pay plan, increases in insurance and benefits costs, and a sizable vacancy savings due to the vacancy of 1.0 FTE personal staff during the base year.

4) Contracted Services - The legislature approved an additional $750 in fiscal 1996 and $2,220 in fiscal 1997 primarily due to increases in publications and graphics.

5) Communications - Increases in postage are due to mailing of the Local Government Review manual and the additional expense related to the Lt. Governor chairing the Telecommunications Advisory Council.

6) Other Expenses - An additional $300 each year of the 1997 biennium is a result of an increase in dues to the National Association of Lt. Governors.

7) Equipment - The legislature approved $5,140 for equipment in fiscal 1996 and $2,300 in fiscal 1997. This represents a $644 increase in fiscal 1996 and a $2,196 decrease in fiscal 1997. The funds will be used to replace one personal computer each year of the biennium and one facsimile machine, and to upgrade WordPerfect in fiscal 1996.

3101 12 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.00)	($43,977)	($43,977)	(1.00)	($44,136)	($44,136)
2 BA11-Montana RDC	1.00		107,611	1.00		109,333
Totals		($43,977)	$63,634		($44,136)	$65,197

New Proposals

1) Personal Services Reductions - The legislature approved the executive proposal to reduce personal services by 25.2 percent in fiscal 1996 and 1997, including 1.0 FTE personal staff. The position was vacant in fiscal 1994. The savings will be approximately $44,000 general fund each year.

2) Montana Rural Development Council - The legislature approved the executive proposal to provide the Lieutenant Governor's Office with authority to spend federal grant funds received from the Farmers' Home Administration (FmHA). The addition includes 1.0 FTE and federal funds of $107,611 for fiscal 1996 and $109,333 for fiscal 1997.

3101 16 00000

GOVERNORS OFFICE
Program Summary

CITIZENS ADVOCATE OFFICE

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	56,347	1,263	0	57,610	1,477	0	57,824	115,434
Operating Expenses	13,712	2,320	0	16,032	(584)	0	13,128	29,160
Equipment	0	2,470	0	2,470	0	0	0	2,470
Total Costs	$70,059	$6,053	$0	$76,112	$893	$0	$70,952	$147,064
Fund Sources								
General Fund	55,831	5,281	0	61,112	428	0	56,259	117,371
Federal Special	14,228	772	0	15,000	465	0	14,693	29,693
Total Funds	$70,059	$6,053	$0	$76,112	$893	$0	$70,952	$147,064

Program Description

The Citizen's Advocate Office exists to provide accessibility to state government for Montana citizens. The office provides information to citizens and acts as a referral service for public comments, suggestions, and requests for information. A toll-free number is provided to the public for this purpose.

Funding

The Citizens' Advocate Office is funded by general fund, with the exception of a $15,000 federal revenue appropriation each year from allocations of federal funds administered by the Department of Social and Rehabilitation Services and the Department of Family Services. The allocation is for the share of services provided by the Citizens' Advocate Office for federally funded programs in those agencies.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$1,263	$1,477
2 Inflation/Deflation	(1,039)	(3,221)
3 Fixed Costs	(663)	(710)
Other Present Law Adjustments		
4 Communications	$4,022	$3,347
5 Equipment	2,470	0
Total Present Law Adjustments	$6,053	$893

Present Law Adjustments

1) Personal Services - The increase is the net result of the 1995 pay plan and increases in insurance and benefits costs.

4) Communications - Increases are charges for a toll-free line. Expenses for this line are coded as long-distance charges through the Department of Administration. Since the deflation factor applied to long-distance charges will not apply to toll-free charges, this adjustment is required. In addition, the legislature added $3,200 in fiscal 1996 and $1,800 in fiscal 1997 to allow legislative use of the toll-free line.

5) Equipment - The legislature approved $2,470 for equipment in fiscal 1996. The funds will be used to replace one personal computer and upgrade WordPerfect software.

3101 20 00000 GOVERNORS OFFICE Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				MENTAL DIS BD VISITORS				
FTE	4.50	0.00	0.00	4.50	0.00	0.00	4.50	4.50
Personal Services	156,819	6,411	0	163,230	7,023	0	163,842	327,072
Operating Expenses	29,097	14,431	0	43,528	21,296	0	50,393	93,921
Equipment	3,145	(555)	0	2,590	(3,145)	0	0	2,590
Total Costs	$189,061	$20,287	$0	$209,348	$25,174	$0	$214,235	$423,583
Fund Sources								
General Fund	138,843	8,894	0	147,737	13,420	0	152,263	300,000
Federal Special	50,218	11,393	0	61,611	11,754	0	61,972	123,583
Total Funds	$189,061	$20,287	$0	$209,348	$25,174	$0	$214,235	$423,583

Program Description

The Mental Disabilities Board of Visitors, established by the legislature in 1975, is charged with reviewing patient care at Montana's community mental health centers, as well as the institutions for the mentally ill and the developmentally disabled. The board also provides legal services for the residents at those institutions. The board consists of five members appointed by the Governor. They represent, but are not limited to, consumers, doctors of medicine, and behavioral scientists. The board employs administrative and legal staff and contracts with medical professionals to carry out its responsibilities for patient representation and facility review.

Funding

The program is funded by general fund, plus a federal grant that provides legal protection and advocacy for patients in Montana's institutions for the mentally ill and developmentally disabled.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$6,411	$7,023
2 Inflation/Deflation	1,091	1,431
3 Fixed Costs	192	117
Other Executive Present Law Adjustments		
4 Operating Expenses		
a) Communications	3,000	3,000
b) Contracted Services and Travel	2,598	9,198
c) Other	7,550	7,550
5 Equipment	(555)	(3,145)
Total Present Law Adjustments	$20,287	$25,174

Present Law Adjustments

1) Personal Services - The increase is the net result of the 1995 pay plan, vacancy savings, savings in salaries, longevity, and increases in insurance and benefits. General fund supports 3.0 FTE and federal grant funds support the remaining 1.5 FTE.

4) Operating Expenses - The legislature approved operating expense increases of $13,148 in fiscal 1996 and $19,748 in fiscal 1997. The increase is comprised of:

a) $3,000 each year for communications. In fiscal 1994, these costs were not included in the base budget because they were paid by the Montana State Hospital (MSH). A corresponding decrease in communications is seen in the budget of MSH;

b) $2,598 in fiscal 1996 and $9,198 in fiscal 1997 for contracted services and travel costs; and

c) $7,550 each year for other miscellaneous operating expenses. The increase for other expenses is based on the projected increase in federal grant funds.

5) Equipment - The legislature provided $2,590 in fiscal 1996 for a replacement printer and software upgrades, a decrease of $555 in fiscal 1996 and $3,145 in fiscal 1997.

3201 00 00000 Agency Summary Budget Item	SECRETARY OF STATES OFFICE Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	37.30	(36.30)	0.00	1.00	(36.30)	0.00	1.00	1.00
Personal Services	964,664	(944,506)	0	20,158	(944,440)	0	20,224	40,382
Operating Expenses	617,062	(600,101)	0	16,961	(599,796)	0	17,266	34,227
Equipment	76,062	(76,062)	0	0	(76,062)	0	0	0
Total Costs	$1,657,788	($1,620,669)	$0	$37,119	($1,620,298)	$0	$37,490	$74,609
Fund Sources								
General Fund	40,309	(3,190)	0	37,119	(2,819)	0	37,490	74,609
Proprietary	1,617,479	(1,617,479)	0	0	(1,617,479)	0	0	0
Total Funds	$1,657,788	($1,620,669)	$0	$37,119	($1,620,298)	$0	$37,490	$74,609

Agency Description

The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution, and its duties are set forth in sections 2-4-311 and 312, 2-6-203, and 2-15-401, MCA. The office: 1) files, maintains, stores, and distributes corporate documents, agricultural lien information, official records of the executive branch, and acts of the legislature; 2) publishes the Administrative Rules of Montana and the Montana Administrative Register; and 3) administers the state agency records management function, including operation of a central microfilm unit and the state records center. In addition, due to the Secretary of State's role as chief election officer of the state, the office is also responsible for the interpretation, application, and operation of election laws, except those pertaining to campaign finance.

Summary of Legislative Action

The legislature moved all proprietary funding for this agency off budget, as a result of the passage of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. This action resulted in the reduction of 40.8 FTE per year and elimination of proprietary funds amounting to $1,957,864 in fiscal 1996 and $1,900,691 in fiscal 1997.

Prior to passage of HB 576, the legislature had approved total expenditures of $1,994,983 in fiscal 1996 and $1,938,181 in fiscal 1997, which included funding for 41.8 FTE each year. This spending level represented an increase over fiscal 1994 base budget FTE and expenditures of 4.5 FTE each year and $337,195 in fiscal 1996 and $280,393 in fiscal 1997. Present law adjustments accounted for 49 percent of the increase in fiscal 1996 and 38 percent of the increase in fiscal 1997, with the majority of the adjustments related to systems development and cyclical printing costs. New proposals accounted for the remainder of the increase.

Funding

The Office of the Secretary of State is funded with general fund, which supports administration of election laws.

The majority of the Secretary of State functions are no longer budgeted in the general appropriations act due to passage of HB 576. Although these proprietary funded operations are not budgeted, the general fund receives revenue from these operations, as all revenue in the Secretary of State proprietary account in excess of the current year's appropriation must be transferred to the general fund within 120 days after the end of each fiscal year.

In fiscal 1994, the office transferred $441,570 of proprietary fund revenue to the general fund. The agency anticipates a similar amount will be available for transfer to the general fund each year of the 1997 biennium, but the actual amount transferred may be less if the office is able to utilize some of the revenue to expand its public access capabilities under new policies being established to implement HB 576.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$12,441	$16,672
2 Inflation/Deflation	(564)	(9,403)
3 Fixed Costs	39,416	19,004
Other Present Law Adjustments		
4 Systems Development	$95,602	$40,602
5 Cyclical Printing	46,900	66,680
6 Maintenance Contracts	8,199	8,199
7 Equipment	(41,407)	(40,907)
8 Miscellaneous	5,340	5,640
9 HB 576	(1,786,596)	(1,726,785)
Total Present Law Adjustments	($1,620,669)	($1,620,298)

Present Law Adjustments

1) Personal Services - The legislature added $12,441 in fiscal 1996 and $16,672 in fiscal 1997 for overtime and longevity pay increases. The overtime was added in response to the agency's request for overtime for non-exempt employees instead of continuing the current practice of awarding compensatory time at the rate of 1.5 hours for every 1 hour worked.

4) Systems Development - The legislature added $95,602 in fiscal 1996 and $40,602 in fiscal 1997 to modify current data processing systems through conversion to mid-range computer technology.

5) Cyclical Printing - The legislature added proprietary funds of $46,900 in fiscal 1996 and $66,680 in fiscal 1997 for cyclical printing and publishing costs associated with reprinting of the Administrative Rules of Montana (ARM), printing of the motor voter registration forms, publication of proposed constitutional amendments in all counties prior to elections, and publication of the Voter Information Pamphlet (VIP).

6) Maintenance Contracts - The legislature added $8,199 per year for the cost of new maintenance contracts entered into in the 1997 biennium.

7) Equipment - The legislature reduced equipment expenditures by $41,407 in fiscal 1996 and $40,907 in fiscal 1997. Fiscal 1994 expenditures include the special circumstance purchase of a microfilm imaging camera.

9) House Bill 576 - The legislature eliminated present law expenditures and funding totaling $1,786,596 in fiscal 1996 and $1,726,785 in fiscal 1997 due to passage and approval of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. This action eliminated 40.8 FTE and all proprietary fund support of the Business and Government Services, Records Management, and Administrative Rules functions.

The source of the proprietary funds that were eliminated from the budget is as follows:

A) Proprietary funds that support the Business and Government Services function are derived from fees charged to customers for corporate filings, registration of assumed business names and trademarks, certificates of limited partnerships, uniform commercial code activities, and miscellaneous services such as copying and priority handling. There are a variety of fee amounts charged. Some fees are set in statute (2-6-103, MCA), while others are established by the Secretary of State according to an annual review of the actual cost of providing the service.

B) Proprietary funds that support the Records Management function are derived from fees charged to other state agencies for microfilming and records storage services. There are a variety of microfilm charges

(depending on which type of microfilm camera is used), which are established by the Secretary of State according to an annual review of the cost of microfilming and other market factors. A schedule of these fees is available in the office of the Secretary of State. The fee for records storage is currently $0.3325 per box per month.

C) Proprietary funds that support the Administrative Rules function are derived from charges to state agencies and the public for publication and distribution of the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). Fees are set by the Secretary of State in consultation with the Administrative Code Committee according to the criteria established in section 2-4-313(4), MCA. Current fees are as follows: a) $35 per page for an agency to publish rules in the ARM; b) $350 for an annual subscription to the MAR; c) $250 for quarterly updates of the MAR; d) $50 per volume for "title-only" subscriptions; and e) $300 for an annual subscription to the administrative rule register.

New Proposals

The main table shows that no new proposals were added to this agency in HB 2. However, prior to passage of HB 576, the legislature approved new proposals adding 4.5 FTE per year and proprietary funds of $171,268 in fiscal 1996 and $173,906 in fiscal 1997 for: 1) a customer service representative, a bankruptcy coordinator (the legislature also added general fund to the Department of Justice to support 4.0 FTE bankruptcy investigators), and an information capture/records preservation position and associated operating expenses in the Business and Government Services function; 2) two additional microfilm staff and associated operating expenses in the Records Management function; and 3) a half-time administrative rules specialist and associated operating expenses in the Administrative Rules function. These FTE additions were partially offset by the elimination of a position in the Business and Government Services function.

3201 00 00000
SECRETARY OF STATES OFFICE — EXECUTIVE BUDGET COMPARISON
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	37.30	44.80	1.00	(43.80)	44.80	1.00	(43.80)	(43.80)
Personal Services	964,664	1,131,892	20,158	(1,111,734)	1,136,491	20,224	(1,116,267)	(2,228,001)
Operating Expenses	617,062	881,497	16,961	(864,536)	830,492	17,266	(813,226)	(1,677,762)
Equipment	76,062	65,155	0	(65,155)	85,155	0	(85,155)	(150,310)
Total Costs	$1,657,788	$2,078,544	$37,119	($2,041,425)	$2,052,138	$37,490	($2,014,648)	($4,056,073)
Fund Sources								
General Fund	40,309	37,119	37,119	0	37,490	37,490	0	0
Proprietary	1,617,479	2,041,425	0	(2,041,425)	2,014,648	0	(2,014,648)	(4,056,073)
Total Funds	$1,657,788	$2,078,544	$37,119	($2,041,425)	$2,052,138	$37,490	($2,014,648)	($4,056,073)

Executive Budget Comparison

The legislature reduced the Executive Budget by 43.8 FTE and proprietary funds of $4,056,073 over the biennium through the following actions:

1) elimination or reduction of the following new proposals included in the Executive Budget: a) elimination of the discretionary equipment new proposal for a biennial savings of $80,500 proprietary funds; b) reduction of the Information Capture/Records Preservation new proposal by eliminating 2.0 FTE and proprietary funds

of $70,864 over the biennium; and c) reduction of the Customer Service Representative new proposal by eliminating 1.0 FTE and proprietary funds of $35,432 over the biennium; and

2) reduction of computer processing and long distance charges in fiscal 1997 for a savings of $10,722; and

3) elimination of 40.8 FTE and proprietary funds of $3,858,555 over the biennium to implement HB 576.

3202 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				COMMISSIONER OF POLITICAL PRAC				
FTE	3.25	0.00	4.00	7.25	0.00	4.00	7.25	7.25
Personal Services	97,393	2,569	123,310	223,272	2,779	123,540	223,712	446,984
Operating Expenses	28,827	19,018	72,405	120,250	15,642	75,675	120,144	240,394
Equipment	211	2,089	16,150	18,450	(211)	0	0	18,450
Debt Service	196	(196)	0	0	(196)	0	0	0
Total Costs	$126,627	$23,480	$211,865	$361,972	$18,014	$199,215	$343,856	$705,828
Fund Sources								
General Fund	126,627	23,480	211,865	361,972	18,014	199,215	343,856	705,828
Total Funds	$126,627	$23,480	$211,865	$361,972	$18,014	$199,215	$343,856	$705,828

Agency Description

The Office of the Commissioner of Political Practices was created in 1975 to monitor disclosures of financial contributions to and expenditures made by Montana political committees and candidates and to oversee and enforce the campaign practices law in Title 13, Chapters 35 through 37, MCA. The responsibilities of the office were expanded in 1980 by Initiative 85 to include the registration of lobbyists, the filing of their principals' financial reports, and the disclosure of elected officials' business and ownership interests.

Summary of Legislative Action

The legislature approved executive present law increases with minor adjustments. Present law adjustments represent an approximate 16.0 percent increase from the base year, primarily due to incorporating expenditures from settlement of a complaint in fiscal 1994 into the present law adjustments. In addition, with the passage of SB 136 and the implementation of Initiative 118, the legislature increased the number of FTE from 3.25 to 7.25 and appropriated amounts that are almost triple what was expended in fiscal 1994.

Funding

Funding for this agency is general fund.

The agency is required to charge a fee commensurate with costs for printing and distributing the campaign finance report. Revenue from the report sale is deposited to the general fund and totalled $4,209 in fiscal 1994. In the November 1993 Special Session, the legislature raised the report fee from $25 to $35 beginning in fiscal 1996. This increase is projected to provide additional annual revenue of $2,500.

Present Law Adjustments

1) Personal Services - The increase is due to the 1995 pay plan, vacancy savings, and increases in benefit costs.

4) Contracted Services - The legislature approved increases for replacement of a photo copier with Department of Administration (DofA) photocopy pool services; legal fees to meet statutory requirements mandating that investigations be conducted on complaints received from citizens, candidates, and organizations; and computer software system management and training.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$2,569	$2,779
2 Inflation/Deflation	966	1,313
3 Fixed Costs	5,868	2,145
Other Present Law Adjustments		
4 Contracted Services	$5,900	$5,900
5 Communications	4,580	4,580
6 Travel	1,359	1,359
7 Other Expenses	345	345
8 Equipment	2,089	(211)
9 Leases	(196)	(196)
Total Present Law Adjustments	$23,480	$18,014

5) Communications - For fiscal 1996 and 1997, the legislature approved an additional $4,580 per year for postage and mailing.

6) Travel - The legislature approved $1,591 each year for travel costs in fiscal 1996 and 1997, which is a $1,359 annual increase over fiscal 1994 actual expenditures.

7) Other Expenses - An increase of $345 each year of the 1997 biennium is for dues to the Council on Governmental Ethics Laws.

8) Equipment - The legislature approved $2,300 for the replacement of chairs in fiscal 1996. No equipment is budgeted in fiscal 1997.

9) Leases - The legislature approved a decrease of $196 each year of the biennium in leases. The amount represents the last payment for a photocopy machine. Item 4 above includes an amount for photocopy services.

3202 00 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Initiative 118	2.00	$103,665	$103,665	2.00	$91,015	$91,015
2 SB136 Ethics Administration	2.00	108,200	108,200	2.00	108,200	108,200
Totals	4.00	$211,865	$211,865	4.00	$199,215	$199,215

New Proposals

1) Initiative 118 - The legislature approved 2.0 FTE and $103,665 general fund in fiscal 1996 and $91,015 general fund in fiscal 1997 to implement Initiative 118, which amended Montana's campaign finance laws. This proposal was not included in the Executive Budget.

2) Senate Bill 136 - Ethics Administration - This act generally revises the laws concerning ethics for legislators, public employees, and public officers. Due to the increased responsibilities for the Office of the Commissioner of Political Practices under SB 136, the legislature appropriated $108,200 general fund each year, including 2.0 FTE.

Language

"Items 1b and 1c [SB 136--Ethics Administration] and [SB 136--Ethics Commission] are contingent on passage and approval of Senate Bill No. 136." (This bill was passed and approved.)

Other Legislation

Senate Bill 136 - This bill requires the Commissioner of Political Practices to establish an ethics administration unit to receive, investigate, and resolve complaints against legislators, public employees, and public officers. The legislature appropriated $108,200 general fund each year in HB 2, including 2.0 FTE.

3202 00 00000

COMMISSIONER OF POLITICAL PRAC — **EXECUTIVE BUDGET COMPARISON**

Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	3.25	3.25	7.25	4.00	3.25	7.25	4.00	4.00
Personal Services	97,393	99,962	223,272	123,310	100,172	223,712	123,540	246,850
Operating Expenses	28,827	50,319	120,250	69,931	47,048	120,144	73,096	143,027
Equipment	211	2,300	18,450	16,150	0	0	0	16,150
Debt Service	196	0	0	0	0	0	0	0
Total Costs	$126,627	$152,581	$361,972	$209,391	$147,220	$343,856	$196,636	$406,027
Fund Sources								
General Fund	126,627	152,581	361,972	209,391	147,220	343,856	196,636	406,027
Total Funds	$126,627	$152,581	$361,972	$209,391	$147,220	$343,856	$196,636	$406,027

Executive Budget Comparison

The legislature approved present law adjustments, with the exception of reducing contracted services by $2,209 general fund each year. In addition to the Executive Budget, the legislature provided an additional 4.0 FTE and $411,080 general fund for the biennium to implement Initiative 118 and SB 136.

3401 00 00000

STATE AUDITORS OFFICE

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	60.75	(1.75)	3.00	62.00	(1.75)	3.00	62.00	62.00
Personal Services	1,587,943	404,714	54,886	2,047,543	412,044	54,432	2,054,419	4,101,962
Operating Expenses	494,505	(45,706)	98,520	547,319	(83,304)	92,643	503,844	1,051,163
Equipment	13,238	(13,238)	3,400	3,400	(13,238)	0	0	3,400
Total Costs	$2,095,686	$345,770	$156,806	$2,598,262	$315,502	$147,075	$2,558,263	$5,156,525
Fund Sources								
General Fund	1,695,412	242,119	176,378	2,113,909	209,344	167,264	2,072,020	4,185,929
State/Other Special	393,339	105,821	(14,807)	484,353	108,288	(15,384)	486,243	970,596
Proprietary	6,935	(2,170)	(4,765)	0	(2,130)	(4,805)	0	0
Total Funds	$2,095,686	$345,770	$156,806	$2,598,262	$315,502	$147,075	$2,558,263	$5,156,525

Agency Description

The State Auditor's Office, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal duties of the state and to keep an account of all state warrants. The auditor is both ex-officio commissioner of insurance and ex-officio commissioner of securities. The auditor is charged with the duties of: 1) licensing and regulating insurance companies and agents within the state; 2) adopting rules and administering the Small Employer Health Insurance Availability Act; and 3) regulating and registering securities dealers.

In the 1995 biennium, the auditor was the director of the state warrant writing system and the state bad debt collection function. HB 563 transfers these functions to the Department of Administration.

Reorganization

House Bill 563 transferred the warrant writing and bad debt functions of the Fiscal Control and Management Division of the State Auditor's Office to the Department of Administration (DOA). The fiscal manager position of the Fiscal Control and Management Division was eliminated in the transfer, with the duties being absorbed by existing managerial staff in the DOA. The amount appropriated to the Fiscal Control and Management Division was decreased by $400 in fiscal 1996 and $41,700 in fiscal 1997 when transferred to DOA.

Summary of Legislative Action

The legislature approved present law adjustments with two major changes: 1) the present law adjustment for the health insurance availability act was not approved, approximately $300,000 for the biennium, including 2.0 FTE. However, an appropriation was made in the general appropriations act for HB 466, which revises small group insurance reform; and 2) a biennial appropriation of $253,400 for financial and market conduct exams was moved off budget.

The Fiscal Control and Management Division, which was responsible for the issuance, control, and recording of claims and warrant payments for the state of Montana and for collecting and recording bad debts for the state, was moved to the Department of Administration. For additional information, see the "Reorganization" writeup.

Other Legislation

House Bill 466 - This bill revises the small group insurance reform legislation initiated by the 1993 legislature that created a health care authority. General fund of $339,655 for the biennium and 2.0 FTE were approved by the legislature. The 2.0 FTE funded are a health care reform specialist and the life health actuary position authorized by the 1993 legislature.

House Bill 533 - This bill provides insurance reform on portability of health benefit plans. General fund monies of $73,386 for the biennium and 1.0 FTE were appropriated in HB 2 to implement this legislation.

House Bill 552 - This bill changes funding for the state warrant writer system to an internal service fund (proprietary fund).

House Bill 563 - Passage and approval of HB 563 transfers the warrant writing and bad debt management functions of the State Auditor to the Department of Administration (DOA). For further information, see the "Reorganization" writeup.

Senate Bill 253 - This bill allows the State Auditor's Office to investigate insurance fraud being committed against consumers and insurance companies. The proposal includes hiring a 1.0 FTE fraud investigator and operating expenses to cover costs of three hearings per year and travel. It is estimated that revenues of $25,000 each year will result from the investigations leading to penalties. The legislature appropriated $96,710 general fund for the biennium to implement this bill.

Senate Bill 384 - This bill revises workers' compensation insurance laws for private workers' compensation carriers. The revised law requires 30 pages of rules and one public hearing. The legislature appropriated $3,500 general fund in fiscal 1996 to the State Auditor's Office.

Senate Bill 388 - This bill provides for an integrated medicaid managed care program and requires the State Auditor to file rules concerning implementation of this bill at an estimated cost of $6,000. The bill provides that the commissioner may charge the applicant an application review fee for the actual costs of review of the application. The fees collected by the commissioner must be deposited in an account in the special revenue fund and are statutorily appropriated to the commissioner to defray the cost of application review.

3401 00 00000 STATE AUDITORS OFFICE Agency Summary Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
EXECUTIVE BUDGET COMPARISON								
FTE	60.75	60.75	62.00	1.25	61.00	62.00	1.00	1.00
Personal Services	1,587,943	2,005,667	2,047,543	41,876	2,020,427	2,054,419	33,992	75,868
Operating Expenses	494,505	766,799	547,319	(219,480)	480,680	503,844	23,164	(196,316)
Equipment	13,238	0	3,400	3,400	0	0	0	3,400
Total Costs	$2,095,686	$2,772,466	$2,598,262	($174,204)	$2,501,107	$2,558,263	$57,156	($117,048)
Fund Sources								
General Fund	1,695,412	2,014,713	2,113,909	99,196	1,994,864	2,072,020	77,156	176,352
State/Other Special	393,339	748,223	484,353	(263,870)	496,633	486,243	(10,390)	(274,260)
Proprietary	6,935	9,530	0	(9,530)	9,610	0	(9,610)	(19,140)
Total Funds	$2,095,686	$2,772,466	$2,598,262	($174,204)	$2,501,107	$2,558,263	$57,156	($117,048)

Executive Budget Comparison

The legislative budget reflects an additional 1.0 FTE and a $117,048 reduction from the Executive Budget. The additional FTE and reduction are the net result of: 1) a biennial appropriation being moved off budget; 2) the elimination of the present law adjustment for the Small Employer Health Insurance Availability Act, including the reduction of 2.0 FTE; 3) non-approval of four executive new proposals, including 0.75 FTE in fiscal 1996 and 1.0 FTE in fiscal 1997; 4) appropriations approved in HB 2 for other legislation, including 4.0 additional FTE; and 5) an adjustment in fiscal 1997 for increased deflation applied to all agency budgets. In addition, HB 563 transferred the Fiscal Control and Management Program to the Department of Administration, which results in a biennial reduction of approximately $2.0 million and 14.0 FTE in both the legislative and executive budgets for this agency.

Biennial Appropriation Moved Off Budget - The legislature moved the $253,400 biennial appropriation for financial and market conduct exams off budget. The exams will be billed directly by the examiners to the company, rather than appropriated for this program in HB 2.

Elimination of a Present Law Adjustment - The legislature eliminated the present law biennial adjustment of $347,121 for the Small Employer Health Insurance Availability Act and the corresponding 2.0 FTE that were granted by the 1993 legislature to implement the act. In later action, the legislature appropriated general fund of $339,655 for the biennium and 2.0 FTE to implement HB 466, which revises the small group insurance reform legislation initiated by the 1993 legislature.

Non-Approval of Executive New Proposals - Four executive new proposals were not approved by the legislature, including: 1) the addition of a 0.75 FTE compliance specialist in fiscal 1996, which would have increased to a 1.0 FTE in fiscal 1997, and the corresponding personal services; 2) the Reinsurance Board fund switch from general fund to state special revenue and the movement of travel costs of $30,300 off budget; 3) the electronic fund transfer for the retirement system that would have reduced total funds by $17,720 for the biennium; and 4) allowing the State Auditor to offset delinquent property taxes against state warrants for a proposed cost of $19,603 (HB 449 enacts this function, but no funds were appropriated in HB 2).

Other Legislation - The following appropriations for several bills passed by the 1995 legislature were authorized in HB 2: 1) $96,710 general fund and 1.0 FTE to implement SB 253 (insurance fraud prevention); 2) $73,386 general

fund and 1.0 FTE for HB 533 (insurance reform on portability); and 3) $3,550 general fund for SB 384 (revises workers' compensation insurance laws).

3401 01 00000

STATE AUDITORS OFFICE **CENTRAL MANAGEMENT**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	274,771	10,233	(14,250)	270,754	11,137	(14,317)	271,591	542,345
Operating Expenses	41,172	8,850	0	50,022	5,264	0	46,436	96,458
Equipment	2,846	(2,846)	0	0	(2,846)	0	0	0
Total Costs	$318,789	$16,237	($14,250)	$320,776	$13,555	($14,317)	$318,027	$638,803
Fund Sources								
General Fund	308,369	2,597	(14,250)	296,716	(245)	(14,317)	293,807	590,523
State/Other Special	3,485	15,810	4,765	24,060	15,930	4,805	24,220	48,280
Proprietary	6,935	(2,170)	(4,765)	0	(2,130)	(4,805)	0	0
Total Funds	$318,789	$16,237	($14,250)	$320,776	$13,555	($14,317)	$318,027	$638,803

Program Description

The Central Management Division is responsible for the administrative, budgeting, personnel, and accounting functions for the State Auditor's Office.

Funding

Central Management is funded from general fund, with state special funds paying a portion of 1.0 FTE personal services costs. In the 1995 biennium, proprietary funds supported a portion of 1.0 FTE personal services costs. As a result of the passage of HB 563, which moves the warrant writing and bad debt management function to the Department of Administration, the proprietary funding provided by the bad debt division was reallocated to state special revenue.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$10,233	$11,137
2 Inflation/Deflation	(499)	(1,149)
3 Fixed Costs	6,969	4,033
Other Present Law Adjustments		
4 Contracted Services	$4,816	$4,816
5 Supplies	(2,000)	(2,000)
6 Equipment	(2,846)	(2,846)
7 Other	(436)	(436)
Total Present Law Adjustments	$16,237	$13,555

Present Law Adjustments

1) Personal Services - The increases in personal services are due to the 1995 biennium pay plan ($3,401), termination pay, vacancy savings, and increases in the insurance benefit cost.

4) Contracted Services - The legislature approved $6,947 for contracted services in fiscal years 1996 and 1997, or an increase of $4,816 in both fiscal years. The increase is due to inclusion of $5,000 of spending authority from the insurance state special fee account for services related to the liquidation of the Glacier General Insurance Company.

5) Supplies and Materials - One-time expenditures of $2,000 were removed each year.

6) Equipment - One-time expenditures in the base year were removed from this category.

3401 01 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions		($14,250)	($14,250)		($14,317)	($14,317)
2 HB563 - Fund Switch						
Totals		($14,250)	($14,250)		($14,317)	($14,317)

New Proposals

1) Personal Services Reduction - The legislature approved the reduction of personal services by $14,250 general fund in fiscal 1996 and $14,317 general fund in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal 1996 and 1997.

2) House Bill 563 Fund Switch - HB 563 transfers the warrant writing and bad debt management function from the State Auditor to the Department of Administration. A portion of funding provided by the bad debt division account for support of the central information systems specialists in the central management program was reallocated to state special revenue due to the passage of HB 563.

Language

"The amendments made to state special revenue and proprietary funds in item [Central Management] are contingent on passage and approval of House Bill No. 563." (HB 563 has been signed by the Governor.)

3401 03 00000

STATE AUDITORS OFFICE Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
INSURANCE								
FTE	40.75	(1.75)	3.00	42.00	(1.75)	3.00	42.00	42.00
Personal Services	994,390	340,379	87,530	1,422,299	345,499	87,254	1,427,143	2,849,442
Operating Expenses	369,349	(44,494)	98,520	423,375	(73,699)	92,643	388,293	811,668
Equipment	6,486	(6,486)	3,400	3,400	(6,486)	0	0	3,400
Total Costs	$1,370,225	$289,399	$189,450	$1,849,074	$265,314	$179,897	$1,815,436	$3,664,510
Fund Sources								
General Fund	1,055,191	199,568	206,197	1,460,956	173,136	197,244	1,425,571	2,886,527
State/Other Special	315,034	89,831	(16,747)	388,118	92,178	(17,347)	389,865	777,983
Total Funds	$1,370,225	$289,399	$189,450	$1,849,074	$265,314	$179,897	$1,815,436	$3,664,510

Program Description

The Insurance Division regulates the insurance industry in Montana for the protection of Montana consumers. The division is comprised of three bureaus: Compliance, Examinations, and Producer Licensing. The Compliance Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The bureau also investigates insurance code and rule violations. The Examinations Bureau is responsible for collecting premium taxes and company fees, and auditing insurance company annual statements. The bureau is also responsible for reviewing form filings to ensure compliance with insurance code, and for reviewing rate filings. The Licensing Bureau is responsible for licensing insurance agents, agencies, and adjustors.

Funding

This program is funded by general fund and state special revenue. State special revenue is derived from two sources: 1) $41,850 each year of revenue from collection of non-resident insurance producer license fees; and 2) fees charged to support insurance examinations and fees on insurance agents. Agent fees support the insurance industry continuing education program and the insurance regulatory accreditation program (approved by the 1993 legislature).

With the exception of the state special revenue fees discussed above, the insurance license and permit fees and premium taxes collected by the division are deposited to the general fund.

Present Law Adjustments

1) Personal Services - The increases are primarily due to the 1995 pay plan ($14,903), vacancy savings in the base year of over $200,000, salary increases above pay plan guidelines, increases in benefits and insurance, and an additional 0.25 FTE in 1996 to continue the 0.25 FTE added in fiscal 1995 as a result of the Insurance Industry Continuing Education Program (SB 354).

4) Contracted Services - The legislature approved allowing the State Auditor to charge companies directly for examinations and abate expenditures for contract examinations, which results in moving the restricted biennial appropriation of state special revenue funds of $253,400 for contract examinations off budget. (Prior to the 1995 biennium, these costs were off budget. They were appropriated in the current biennium based on a Legislative Auditor recommendation that the costs be recorded on SBAS and that the agency receive the appropriation authority needed.) The remaining expenditures in contracted services decrease by $50,887 in fiscal 1996 and $64,687 in fiscal 1997.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$340,379	$345,499
2 Inflation/Deflation	1,905	(751)
3 Fixed Costs	35,474	22,718
Other Present Law Adjustments		
4 Contracted Services	(50,887)	(64,687)
5 Supplies	(32,540)	(32,540)
6 Travel	2,531	2,531
7 Other Expenses	(977)	(970)
8 Equipment	(6,486)	(6,486)
Total Present Law Adjustments	$289,399	$265,314

5) Supplies - Decreases of $32,540 in both fiscal years are due to the removal of one-time expenditures for minor equipment.

6) Travel - The legislature approved an increase for travel due to continuing education course review (SB 354). The course reviews began in 1995. The costs of travel associated with continuing education will be recovered by a fee charged to insurance agents.

8) Equipment - No funding is budgeted for equipment in the 1997 biennium, which is a $6,486 decrease from the 1994 base budget.

In addition to these changes, the legislature eliminated the appropriation and 2.0 FTE for the Small Employer Health Insurance Availability Act (approximately $174,000 general fund each year of the 1997 biennium).

3401 03 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Insurance Fraud Protection Pgm	1.00	$50,070	$50,070	1.00	$46,640	$46,640
2 Personal Services Reductions	(1.00)	(54,930)	(71,677)	(1.00)	(54,930)	(72,277)
3 HB533 Portability Health Plans	1.00	36,693	36,693	1.00	36,693	36,693
4 HB466 Small Group Ins Reform	2.00	170,814	170,814	2.00	168,841	168,841
5 SB384 Workers' Comp Insurance	0.00	3,550	3,550	0.00	0	0
Totals	3.00	$206,197	$189,450	3.00	$197,244	$179,897

New Proposals

1) Insurance Fraud Protection Program - SB 253 allows the State Auditor's Office to investigate insurance fraud being committed against consumers and insurance companies. The general appropriations act includes $50,070 general fund in fiscal 1996 and $46,640 in fiscal 1997 to implement this program (including 1.0 FTE).

2) Personal Services Reduction - The legislature approved reducing personal services by 5.7 percent in fiscal 1996 and 1997, including the elimination of 1.0 FTE. This proposal reduces general fund by $54,930 each year and state special revenue funds by approximately $17,000 each year.

3) House Bill 533 Portability Health Plans - This bill provides insurance reform on portability of health benefit plans. General fund of $36,693 each year was appropriated in HB 2 to implement this legislation (including 1.0 FTE).

4) House Bill 466 Small Group Insurance Reform - This bill revises the small group insurance reform legislation initiated by the 1993 legislature that created a health care authority. The general appropriations act includes general

fund of $170,814 in fiscal 1996 and $168,841 in fiscal 1997 to implement this bill (including 2.0 FTE). The 2.0 FTE funded are a health care reform specialist and the life health actuary position authorized by the 1993 legislature.

5) Senate Bill 384 Workers' Compensation Insurance - This bill revises workers' compensation insurance laws for private workers' compensation carriers. The revised law requires 30 pages of rules and one public hearing. The legislature appropriated $3,500 general fund in fiscal 1996 to the State Auditor's Office in HB 2 for this purpose.

Language

"If House Bill No. 533 is not passed and approved, general fund money in item [Insurance Program] must be decreased by $36,693 each fiscal year." (HB 533 has been signed by the Governor.)

"If House Bill No. 466 is not passed and approved, general fund money in item [Insurance Program] must be decreased by $170,814 in fiscal year 1996 and $168,841 in fiscal year 1997." (HB 466 has been signed by the Governor.)

"If Senate Bill No. 384 is not passed and approved, general fund money in item [Insurance Program] is decreased by $3,550 in fiscal year 1996." (SB 384 has been signed by the Governor.)

"The state auditor shall charge companies directly for examinations and abate expenditures."

"The state auditor may request a budget amendment for costs incurred due to medicaid HMO complaints."

3401 04 00000

STATE AUDITORS OFFICE — **SECURITIES**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00	11.00
Personal Services	318,782	54,102	(18,394)	354,490	55,408	(18,505)	355,685	710,175
Operating Expenses	83,984	(10,062)	0	73,922	(14,869)	0	69,115	143,037
Equipment	3,906	(3,906)	0	0	(3,906)	0	0	0
Total Costs	$406,672	$40,134	($18,394)	$428,412	$36,633	($18,505)	$424,800	$853,212
Fund Sources								
General Fund	331,852	39,954	(15,569)	356,237	36,453	(15,663)	352,642	708,879
State/Other Special	74,820	180	(2,825)	72,175	180	(2,842)	72,158	144,333
Total Funds	$406,672	$40,134	($18,394)	$428,412	$36,633	($18,505)	$424,800	$853,212

Program Description

The Securities Department is responsible for the administration and enforcement of the Securities Act of Montana as provided in Title 30, Chapter 10, MCA. The department is responsible for the registration of securities issuers, salesmen, broker-dealers, investment advisers, and investment adviser representatives; and investigation of unregistered and fraudulent securities transactions.

Funding

This program is funded entirely by general fund, with the exception of the securities portfolio registration program (SB 314) established by the 1993 legislature. The portfolio registration program is funded by state special revenue, generated by securities portfolio fees.

All securities fees and fines collected by the program are deposited into the general fund except for the securities portfolio fee. In fiscal 1994, the program collected $3,515,579 in fees and fines, compared to program expenditures of $331,376. Securities portfolio regulation collected $1,099,555 in fees, compared to expenditures of $74,820.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$54,102	$55,408
2 Inflation/Deflation	(339)	(1,413)
3 Fixed Costs	8,344	4,610
Other Present Law Adjustments		
4 Contracted Services	$3,695	$3,695
5 Supplies	(21,287)	(21,287)
6 Equipment	(3,906)	(3,906)
7 Other	(475)	(474)
Total Present Law Adjustments	$40,134	$36,633

Present Law Adjustments

1) Personal Services - Increases are primarily due to the 1995 biennium pay plan ($4,025), vacancy savings, salary increases, and increases in benefits and insurance costs.

4) Contracted Services - The legislature approved an increase for consultant and professional services. The additional funds are for an increase in costs for hearing examiners.

5) Supplies - The legislature approved a decrease of $21,287 each fiscal year to allow for one-time expenditures of office supplies and minor equipment.

6) Equipment - One-time expenditures of $3,906 were removed. No funding is budgeted for equipment in the 1997 biennium.

3401 04 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		($15,569)	($18,394)		($15,663)	($18,505)
Totals		($15,569)	($18,394)		($15,663)	($18,505)

New Proposals

1) Personal Services Reduction - The legislature approved reducing personal services by $18,394 in fiscal 1996 and $18,505 in fiscal 1997. This proposal reduces general fund by over $15,500 each year and state special revenue by over $2,800 each year.

Reorganization of Bad Debt and Warrant Writing

House Bill 563 transferred the warrant writing and bad debt functions of the Fiscal Control and Management Division of the State Auditor's Office to the Department of Administration (DOA). The fiscal manager position of the Fiscal Control and Management Division was eliminated in the transfer, with the duties being absorbed by existing managerial staff in the DOA. The amount appropriated to the Fiscal Control and Management Division was decreased by $400 in fiscal 1996 and $41,700 in fiscal 1997 when transferred to DOA.

For a discussion of the new division, see the Department of Administration writeup in section A of volume I.

5401 00 00000

DEPARTMENT OF TRANSPORTATION

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	1,942.25	(96.94)	(66.50)	1,778.81	(96.94)	(65.50)	1,779.81	1,779.81
Personal Services	69,040,350	(3,576,996)	(2,564,949)	62,898,405	(3,282,769)	(2,557,988)	63,199,593	126,097,998
Operating Expenses	221,693,650	27,147,364	20,035,687	268,876,701	34,160,962	23,225,632	279,080,244	547,956,945
Equipment	9,351,656	(7,987,501)	960,776	2,324,931	(8,010,966)	673,361	2,014,051	4,338,982
Capital Outlay	5,837,225	(327,123)	246,000	5,756,102	(327,123)	246,000	5,756,102	11,512,204
Local Assistance	180,701	69,299	0	250,000	69,299	0	250,000	500,000
Grants	3,543,449	2,883,335	400,000	6,826,784	2,883,335	500,000	6,926,784	13,753,568
Transfers	10,017,368	(10,003,915)	0	13,453	(10,003,915)	0	13,453	26,906
Debt Service	12,101	0	0	12,101	(5,543)	0	6,558	18,659
Total Costs	$319,676,500	$8,204,463	$19,077,514	$346,958,477	$15,483,280	$22,087,005	$357,246,785	$704,205,262
Fund Sources								
General Fund	209,061	40,939	0	250,000	40,939	0	250,000	500,000
State/Other Special	149,975,461	(14,836,846)	13,237,895	148,376,510	(13,081,111)	17,090,220	153,984,570	302,361,080
Federal Special	153,057,685	39,434,663	5,839,619	198,331,967	44,957,745	4,996,785	203,012,215	401,344,182
Proprietary	16,434,293	(16,434,293)	0	0	(16,434,293)	0	0	0
Total Funds	$319,676,500	$8,204,463	$19,077,514	$346,958,477	$15,483,280	$22,087,005	$357,246,785	$704,205,262

Agency Description

Responsibilities of the Department of Transportation include: 1) project design and administering of construction contracts; 2) preserving and maintaining a safe and environmentally sound state highway transportation system; 3) enforcement of the statutes and regulations relating to vehicle weight, size, licensing, fuel, and safety on the state's highways; 4) providing protection and safety in aviation; and 5) enforcing compliance with motor fuel tax law and administering license taxes on gasoline and diesel fuel.

The 1995 legislature transferred the Highway Traffic Safety Division to this department.

The goal of the Department of Transportation is to serve the public by establishing a transportation system which emphasizes safety, environmental preservation, and cost-effectiveness.

Summary of Legislative Action

The legislature added a net of $24 million in present law adjustments. The largest occurred in the Construction program, where over $97 million was added.

The legislature made two accounting changes that reduced the present law appropriation by a total of $110 million over the biennium. The legislature did not appropriate funds for the Stores Inventory program. The program was a double appropriation of funds appropriated elsewhere, and existed because of the accounting methodology used by MDT in the 1995 biennium to purchase maintenance materials. The legislature also did not appropriate the interfund transfer program. These are funds transferred from the highway special revenue account to the reconstruction trust account. Since both accounts are from the same fund within the state treasury, no appropriation is required to transfer funds.

The legislature approved 32 new proposals adding $22.1 million for fiscal 1996 and $25.1 million for fiscal 1997. (The fiscal 1996 total was reduced by $350,000 when Governor Racicot, using a line item veto of HB 2, struck the new proposal for a preconstruction survey of the Clagget Hill road in central Montana.) The largest of the new proposals

is for an additional $10 million in fiscal 1996 and $15 million in fiscal 1997 for the state funded Reconstruction Trust program. Personal service reductions (88.0 FTE) approved by the legislature total $3 million each year.

As a result of the passage of SB 361, the Highway Traffic Safety Division was transferred from the Department of Justice to the Department of Transportation, increasing the MDT budget by approximately $4.8 million each year of the biennium.

The legislature included language in HB 2 appropriating to the urban and secondary highway construction programs all revenue that exceeds the estimated net revenue for fuel tax established in House Joint Resolution No. 9 (approximately $165 million per year). The legislature also included language directing the Highway Traffic Safety Division to manage a school bus safety program that had been operated by the Office of Public instruction. No funds were transferred from OPI to the Traffic Safety Division for this purpose and no additional funds were appropriated.

Cash Flow Analysis - Highway Special Revenue Account

The highways special revenue account (HSRA) supports several highways and highways related programs, including: 1) state match funds for federal highway aid funds; 2) 100 percent of highway maintenance funding; 3) a 100 percent state funded Reconstruction Trust Fund (RTF) program; 4) local government highways grants; 5) administration of the Department of Transportation (DOT), the Highway Patrol Division and the Motor Vehicle Division in the Department of Justice; and 6) state parks roads. The primary source of state revenues is highway user fees, including fuel taxes (gasoline and diesel) and gross vehicle weight (GVW) fees.

Background

In response to the declining financial stability of the HSRA, the 1993 legislature approved several measures intended to provide additional revenue to the HSRA. Most significantly was a 7 cent tax increase on gasoline and diesel fuel in the 1995 biennium. Other major revenue measures included an additional 0.75 percent diesel tax increase and changes in the method used to collect fuel tax revenues.

The 1995 biennium revenues showed a dramatic increase over revenue projections at the end of the 1993 session. Revenues to the HSRA exceeded 1993 legislative estimates by $28.2 million in fiscal 1994 and are projected to exceed estimates for fiscal 1995 by $36.3 million, primarily due to the change in the method of collecting tax revenues. The cash balance in the account increased to $76.6 million at the end of fiscal 1994 and was projected to be $78.9 million at the end of fiscal 1995. Because of the large projected fund balance, MDT plans to recall $40 million of outstanding long term bonds in June of 1995. This will reduce the account balance to $39.2 million at the end of fiscal 1995 (Table 1).

The increased revenue to the HSRA enabled the Executive Budget to propose for the 1997 biennium: 1) that the 12 percent of annual coal tax revenue currently being deposited into the highway reconstruction trust account be used instead to fund the long-range building program; and 2) new expenditure proposals from the HSRA of $12.4 million in fiscal 1996 and $17.1 million in fiscal 1997, including $25 million over the biennium for the state funded reconstruction trust program.

The executive also presented a 12 year plan for revenues and expenditures from the HSRA during which no fuel tax increases would be required. However, in projecting 12 years without a fuel tax increase, the Executive Budget 12 year plan made the following assumptions: 1) the Motor Vehicle Division of the Department of Justice, which is presently funded from the HSRA at approximately $1.1 million per year, will be appropriated instead from the general fund beginning in fiscal 1996; and 2) that the funding for the Montana Highway Patrol Division of the Justice Department, which is presently funded from the HSRA, be switched to the general fund beginning in fiscal 1998 (approximately $14 million per year).

1995 Legislature

The 1995 legislature approved the executive proposed budget for the MDT from the HSRA and also added two additional proposals, the Clagget Hill road survey for $350,000 and the reconstruction of Highway 314 between Decker and Busby for $1 million per year; however, Governor Racicot vetoed both of the proposals. Also, the legislature did not transfer the Justice Department's Motor Vehicle Division from the HSRA to the general fund as proposed in the Executive Budget, increasing the budgeted expenditures from the HSRA by $2.2 million over the 1997 biennium. The legislature did approve the reallocation of the 12 percent coal tax to the long-range building program (HB 19).

The legislature also included in HB 2 the following language appropriation for MDT:

> *"If the total net revenue from the fuel tax exceeds the revenue estimate established in House Joint Resolution No. 9, the department shall increase the urban and secondary appropriations included in item 2 by the amount the revenue estimate is exceeded, up to $15 million for the biennium. The increase must be divided on a 40% urban / 60% secondary basis.*

This language has the effect of not allowing the balance in the HSRA to expand beyond what is projected. If revenues do exceed expectations, they will be appropriated for the urban and secondary road construction programs.

Assumptions Used in Preparing Budget Projections

Expenditures for the 1997 biennium are those appropriated by the 1995 Legislature. For fiscal years 1998 and 1999 a 3.0 percent inflation rate was applied to operating budgets of MDT and the Department of Justice. The amounts included for long range building (HB 5) for fiscal years 1998 and 1999 are continuations of the amounts appropriated for the 1997 biennium.

Gasoline and diesel fuel tax revenue projections for fiscal years 1995 through 1997 are those adopted by the Legislative Revenue Oversight Committee on November 30, 1994. GVW projections for fiscal year 1995 were provided by MDT. For fiscal years 1998 and 1999, revenues are projected at the fiscal 1997 rates.

Cash Flow Projections

Table 1 shows the projected revenues and expenditures to the HSRA from fiscal 1994 (actual) through fiscal 1999. As shown in Table 1, expenditures exceed revenues by $8.9 million in fiscal 1996 and by $12.9 million in fiscal 1997. The fund balance at the end of the 1997 biennium is projected to be $17.3 million, a total reduction in the fund balance of $21.9 million from the balance at the end of fiscal 1995.

Projecting the fiscal 1997 appropriation levels at 3 percent inflation through the 1999 biennium, and assuming revenues to the HSRA remains constant, the HSRA fund balance at the end of the 1999 biennium will be a negative $9 million. However, if the $31.5 million in funding costs for the Montana Highway Patrol and the Motor Vehicle Division is switched to the general fund beginning in fiscal 1998 as proposed by the Governor, the cash balance at the end of the 1999 biennium would be a positive $22.5 million.

Factors Which May Impact Projections

1) Distribution to Indian reservations - since the required distribution of fuel tax revenues to Indian reservations is still being negotiated, the annual estimates in the projections may be understated.

2) Revenues - fiscal years 1994 and 1995 were growth years economically in Montana and part of the growth in revenue is attributed to additional fuel sales. If the economy experiences an economic downturn, tax revenues from the sales of fuel could decline. Conversely, revenues may continue to exceed expectations.

Table 1
Highways State Special Revenue Accounts
Estimated Cash Flow
Fiscal Years 1994 through 1999

	Fiscal 1994	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999
Present Law Beginning Cash Balance	$67,156,047	$76,635,215	$39,160,073	$30,216,167	$17,294,828	$5,663,271
Revenues						
Gasoline Tax	$108,594,636	$120,312,558	$121,344,600	$122,299,600	$122,299,600	$122,299,600
Diesel Tax	43,412,610	44,035,273	45,422,052	46,862,512	45,540,000	45,540,000
GVW Tax	27,863,178	26,987,792	25,574,107	25,574,107	25,574,107	25,574,107
Coal Tax	4,942,557	5,231,687	0	0	0	0
Stores	13,413,888	22,716,392	0	0	0	0
Other	4,010,860	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585
Indian Reservation Distribution	(1,858,645)	(2,400,000)	(4,017,600)	(3,842,600)	(3,842,600)	(3,842,600)
Adjustment	52,570	(2,918,450)	0	0	0	0
Total Revenue	$200,431,654	$215,240,837	$189,598,744	$192,169,204	$190,846,692	$190,846,692
Available Working Cash	$267,587,701	$291,876,052	$228,758,817	$222,385,371	$208,141,520	$196,509,963
Present Law Expenditures						
General Operations	$8,309,797	$7,612,879	$8,225,738	$8,019,031	$8,299,697	$8,590,186
Construction (and overhead):		0				
Federal Aid Construction	37,203,993	36,218,637	38,232,833	42,413,546	38,479,003	38,618,861
RTF Construction	14,953,198	23,054,634	22,714,942	19,864,153	20,000,000	20,000,000
Maintenance	58,525,487	60,329,430	60,008,876	60,725,652	62,547,422	64,423,844
Stores	16,498,395	22,716,392	0	0	0	0
Motor Carrier Division	3,973,802	4,108,743	4,289,369	4,221,399	4,348,041	4,478,482
Highway Traffic Safety Division	75,872	84,760	86,000	85,879	88,455	91,109
Transportation Planning Division	833,140	866,214	852,636	849,457	874,941	901,189
Bond Principal & Interest *	17,351,878	57,757,630	15,696,351	15,613,016	13,985,828	13,986,902
Local Government Distribution	16,712,000	16,766,000	16,766,000	16,766,000	16,766,000	16,766,000
Headquarters Building	585,057	623,250	630,000	0	0	0
HB 5 - Long-Range Bldg - DOT	2,353,329	2,312,670	1,650,000	1,650,000	1,650,000	1,650,000
HB 5 - Long-Range Bldg - FW&P	360,198	2,307,802	1,334,000	1,334,000	1,334,000	1,334,000
Dept of Justice	14,158,083	16,929,563	14,818,017	15,058,194	15,509,940	15,975,238
Adjustment	(941,743)	0	0	0	0	0
Total Present Law Expenditures	$190,952,486	$251,688,604	$185,304,762	$186,600,327	$183,883,327	186,815,812
New Expenditure Proposals						
FTE Reductions	$0	$0	($2,877,452)	($2,892,592)	($2,979,370)	($3,068,751)
Executive Budget New Proposals	0	0	5,365,340	4,982,808	5,132,292	5,286,261
Increase RTF Program	0	0	10,000,000	15,000,000	15,000,000	15,000,000
Pay Plan Projections	0	0	350,000	1,400,000	1,442,000	1,485,260
McCarty Farms	0	1,027,375	400,000	0	0	0
Total	$0	$1,027,375	$13,237,888	$18,490,216	$18,594,922	$18,702,770
Total Expenditures	$190,952,486	$252,715,979	$198,542,650	$205,090,543	$202,478,249	$205,518,582
Revenue Over Expenditures	**$9,479,168**	**($37,475,142)**	**($8,943,906)**	**($12,921,339)**	**($11,631,557)**	**($14,671,890)**
Ending Fund Balance	**$76,635,215**	**$39,160,073**	**$30,216,167**	**$17,294,828**	**$5,663,271**	**($9,008,619)**

NOTE: NEW PROPOSALS DO NOT INCLUDE CLAGGETT HILL PROJECT AND HB 528.
PAY PLAN FIGURES ARE BASED UPON PRELIMINARY ESTIMATES PROVIDED BY OBPP.

3) Inflationary increases - increases in the programs funded by the highways fund may vary from the 3.0 percent expenditure inflation assumption used to project for the 1999 biennium.

Language

"The department may adjust appropriations in the construction and transportation planning programs between state special and federal special revenue fund types, provided that the total state special revenue authority for these

programs is not increased by more than 10% of the appropriations established by the legislature. All transfers between fund types must be fully explained and justified on budget documents submitted to the office of budget and program planning, and all fund transfers of over $1 million in any 30-day period must be communicated to the legislative finance committee in a written report."

Other Legislation

House Bill 5 - Included in HB 5 (the long-range building bill) are biennial appropriations from HSRA of: 1) $2,668,000 to the Department of Fish, Wildlife & Parks for road projects on state owned parks; and 2) $3,300,000 to the Department of Transportation for construction of various equipment storage buildings throughout the state. For more information, see the Long-Range Building section in Volume II.

House Bill 19 - HB 19 reallocates 12 percent of annual coal tax revenues currently being deposited into the RTF to the long-range building program. The 12 percent coal tax revenues for the 1997 biennium are estimated to be approximately $10.5 million. Higher that anticipated revenues from gasoline and diesel taxes will be used to offset the loss of coal tax money appropriated to MDT.

House Bill 528 - HB 528 appropriates $2 million per biennium to the Department of Transportation from the highway special revenue account to reconstruct 13 miles of highway 314 between Decker & Busby, Montana. On May 12, 1995 Governor Racicot vetoed HB 528.

Senate Bill 378 - SB 378 transfers from the Public Service Commission to the Motor Carrier Division of MDT the responsibility for a single-state registration permit program for interstate motor carriers. Included in the budget for MDT to assume this responsibility, is 1.0 FTE and $21,674 in fiscal 1996 and $21,747 in fiscal 1997.

5401 00 00000 DEPARTMENT OF TRANSPORTATION Agency Summary Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	1,942.25	1,906.90	1,778.81	(128.09)	1,907.90	1,779.81	(128.09)	(128.09)
Personal Services	69,040,350	67,799,539	62,898,405	(4,901,134)	68,121,905	63,199,593	(4,922,312)	(9,823,446)
Operating Expenses	221,693,650	298,118,171	268,876,701	(29,241,470)	281,843,768	279,080,244	(2,763,524)	(32,004,994)
Equipment	9,351,656	9,002,981	2,324,931	(6,678,050)	8,812,690	2,014,051	(6,798,639)	(13,476,689)
Capital Outlay	5,837,225	5,756,102	5,756,102	0	5,756,102	5,756,102	0	0
Local Assistance	180,701	250,000	250,000	0	250,000	250,000	0	0
Grants	3,543,449	6,820,784	6,826,784	6,000	6,920,784	6,926,784	6,000	12,000
Transfers	10,017,368	30,851,165	13,453	(30,837,712)	35,756,712	13,453	(35,743,259)	(66,580,971)
Debt Service	12,101	12,101	12,101	0	6,558	6,558	0	0
Total Costs	$319,676,500	$418,610,843	$346,958,477	($71,652,366)	$407,468,519	$357,246,785	($50,221,734)	($121,874,100)
Fund Sources								
General Fund	209,061	400,000	250,000	(150,000)	500,000	250,000	(250,000)	(400,000)
State/Other Special	149,975,461	199,242,134	148,376,510	(50,865,624)	209,902,604	153,984,570	(55,918,034)	(106,783,658)
Federal Special	153,057,685	201,986,728	198,331,967	(3,654,761)	179,728,544	203,012,215	23,283,671	19,628,910
Proprietary	16,434,293	16,981,981	0	(16,981,981)	17,337,371	0	(17,337,371)	(34,319,352)
Total Funds	$319,676,500	$418,610,843	$346,958,477	($71,652,366)	$407,468,519	$357,246,785	($50,221,734)	($121,874,100)

EXECUTIVE BUDGET COMPARISON

Executive Budget Comparison

The legislature reduced the executive present law budget for construction by $3,157,679 in fiscal 1996 and increased it by $25,388,295 for fiscal 1997. These adjustments were necessitated by changes to the projected construction completion time schedules. The present law budget for the General Operations program was reduced by $48,518 each year of the biennium.

The legislature did not approve 13 executive new proposals (Table 2) totalling 26.0 FTE and $1,041,598 in fiscal 1996 and $4,977,346 in fiscal 1997. However, the legislature, in order to allow MDT to use the state highway revenue funds and the federal matching dollars associated with the rejected new proposals, appropriated the total of the rejected proposals to the construction program as a single new proposal for highway construction. The legislature allowed MDT latitude in the use of the additional funds as long as no permanent FTE are added to the agency. The legislature approved a new proposal for a preconstruction survey and design of the Clagget Hill road in central Montana. This proposal, which was not included in the executive's proposals, was vetoed by Governor Racicot.

The legislature approved a biennial appropriation of $400,000 from the highway special revenue account for the cost of expert testimony associated with the McCarty Farms lawsuit against Burlington Northern Railroad. The Executive Budget had originally proposed that the McCarty farms appropriation be from the general fund.

The two accounting changes discussed earlier (stores and interfund transfers) were not included in the Executive Budget and amount to $110 million of the difference in state special revenue.

As a result of the passage of SB 361, the Highway Traffic Safety Division was transferred from the Department of Justice to the Department of Transportation, increasing the MDT budget by approximately $4.8 million each year of the biennium.

Table 2
Executive New Proposals Not Approved

Name	FTE	Fiscal 1996	Fiscal 1997
Environmental Enginners	5.00	$176,710	$177,260
Project Design	5.00	181,710	182,260
Pavement Management System	3.00	94,342	94,624
Bridge Design	3.00	167,075	87,375
Erosion Control	3.00	109,026	109,356
Wetland Mitigation	2.00	62,684	62,904
Stormwater Discharge	1.00	31,342	31,452
Environmental Impact Specialist	1.00	36,342	36,452
Research Staff	1.00	29,000	29,086
Wetland Mitigation	1.00	35,342	35,452
Community Enhancement	1.00	33,025	33,125
Metric Conversion	0.00	0	4,013,000
Network Weight Station	0.00	85,000	85,000
Total	26.00	$1,041,598	$4,977,346

5401 01 00000 DEPARTMENT OF TRANSPORTATION Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
GENERAL OPERATIONS PROGRAM								
FTE	143.12	(9.00)	2.15	136.27	(9.00)	2.15	136.27	136.27
Personal Services	4,847,906	(291,418)	67,509	4,623,997	(269,928)	67,834	4,645,812	9,269,809
Operating Expenses	2,946,975	560,886	1,771,750	5,279,611	463,677	1,582,075	4,992,727	10,272,338
Equipment	616,428	(224,148)	284,700	676,980	(351,628)	308,700	573,500	1,250,480
Grants	0	75,000	0	75,000	75,000	0	75,000	150,000
Debt Service	12,101	0	0	12,101	(5,543)	0	6,558	18,659
Total Costs	$8,423,410	$120,320	$2,123,959	$10,667,689	($88,422)	$1,958,609	$10,293,597	$20,961,286
Fund Sources								
State/Other Special	8,160,404	65,334	2,074,259	10,299,997	(141,373)	1,908,909	9,927,940	20,227,937
Federal Special	263,006	54,986	49,700	367,692	52,951	49,700	365,657	733,349
Total Funds	$8,423,410	$120,320	$2,123,959	$10,667,689	($88,422)	$1,958,609	$10,293,597	$20,961,286

Program Description

The General Operations program provides the administrative support services for the department, including general administration and management, accounting and budgeting, planning and program development, research, legal services, computer systems support, and personnel. The program also includes the former Motor Fuels program, which was transferred from the Department of Revenue in July, 1991 as part of the Department of Transportation reorganization. The motor fuels unit enforces compliance with motor fuel tax law and administers license taxes on gasoline and diesel fuel.

Funding

The General Operations program is funded from the highways special revenue account and federal transportation funds from the Intermodal Surface Transportation Efficiency Act (ISTEA) for highway planning and research activities.

Present Law Adjustments

1) Personal Services - This adjustment eliminates 9.0 FTE and approximately $185,000 from the base budget. These FTE are associated with one-time appropriations which, by legislative direction, were not to be included in the base budget for the 1997 biennium. An additional $122,000 that was paid out for early retirement in fiscal 1994 was removed from the base budget. The present law adjustment continues the 1995 biennium pay plan.

3) Fixed Costs - Significant fixed costs increases include: a) insurance and bonds, which increase by approximately $230,000; b) the department's payment to the state indirect cost allocation plan, which increases by $93,000 each year; and c) data network fees paid to the Department of Administration of $51,000 per year. Fixed costs increase more in fiscal 1996 than in fiscal 1997 due to the $87,058 biennial appropriation requested to pay Legislative Auditor fees. In fiscal 1994, $29,326 was spent for this purpose.

4) Consultant Services - Consultant services, which totalled $359,586 in the base budget, are reduced by $36,500 in fiscal 1996 and increased by $21,954 in fiscal 1997. The consultant services are primarily for computer programming services.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	($291,418)	($269,928)
2 Inflation/Deflation	(16,707)	(75,174)
3 Fixed Costs	408,682	305,391
Other Present Law Adjustments		
4 Consultant Services	($36,500)	$21,954
5 Advertising	10,000	10,000
6 Communications	125,000	125,000
7 Travel	46,544	44,896
8 Printing	22,905	5,000
9 Mailing Costs	19,000	19,000
10 Maintenance Contracts	35,000	35,000
11 DoA Computer Processing	(114,000)	(114,000)
12 Equipment	(224,148)	(351,628)
13 Grants	75,000	75,000
14 Miscellaneous	60,962	81,067
Total Present Law Adjustments	$120,320	($88,422)

5) Advertising - The present law budget includes a $10,000 annual increase in radio and TV advertising, stressing driver safety in road construction zones and safety near snow plows.

6) Communications - This adjustment doubles the number of toll-free (1-800) telephone lines due to demand, at an additional cost of $125,000. These "800" lines are to provide road condition information to the public.

7) Travel - The legislature includes approximately $45,000 per year for increased travel. According to MDT, the need for increased travel is due to increased training requirements in the districts and the need to participate in regional transportation and fuel tax associations, often required by the federal Intermodal Surface Transportation Efficiency Act (ISTEA).

8) Printing - Increases of about $23,000 in fiscal 1994 and $5,000 in fiscal 1997 are due to the department's transition from printing presses to high speed copiers. During fiscal 1996 the department will temporarily need supplies for both systems, but will need a reduced level in fiscal 1997.

9) Postage & Mailing - Mailing cost increases of $19,000 each year are due to an increase in mailings by the fuel tax compliance program, motor carrier services and contract plans.

10) Equipment Maintenance Contracts - The legislature approved a present law adjustment of approximately $35,000 each year for maintenance of data processing and duplicating equipment purchased during the 1995 biennium.

11) Dept of Administration Computer Processing Charges - Because the MDT transferred more of its data processing from the Department of Administrations's mainframe computer to internal systems within the MDT, the present law for data processing charges paid to the Department of Administration is reduced by $114,000 each year.

12) Equipment - The equipment budget is reduced by $224,000 in fiscal 1996 and $351,000 in fiscal 1997.

13) Grants - This present law adjustment of $75,000 each year is for grants awarded to cities that operate a public transportation system. The fiscal 1994 expenditures were not included in the base budget because they were accounted for as part of the statutory appropriation that distributes the fuel taxes to counties and cities. These grant expenditures should not be considered as part of the statutory distribution and, therefore, are being included as part of the present law budget. The department will correct its accounting of this grant in the future.

New Proposals

1) Motor Fuel Tax Compliance - The legislature approved the addition of 7.0 FTE each year and $256,187 in fiscal 1996 and $246,018 in fiscal 1997 from the highways special revenue fund to provide for increased monitoring of fuel tax laws in Montana.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Motor Fuel Tax Compliance	7.00		$256,187	7.00		$246,018
2 Commerical Driver Drug Test	1.00		95,895	1.00		96,014
3 DP Equipment/New			254,000			289,000
4 Rewire MDT Complex			189,675			
5 Contract Fuels Tax Audit			184,825			184,825
6 Financial Management			66,000			66,000
7 Privatize Data Entry			20,000			20,000
8 Dyed Fuel Pilot Project			100,000			100,000
9 IFTA/IRP Grant			49,700			49,700
10 Montana Tax & Revenue System			1,086,000			1,086,000
11 Personal Services Reductions	(5.85)		(178,323)	(5.85)		(178,948)
Totals	2.15		$2,123,959	2.15		$1,958,609

2) Commercial Driver Drug Testing - The legislature approved the adoption of a drug testing program of approximately 750 employees who have a commercial driver's license. This new proposal includes 1.0 FTE and a recommended budget of $95,895 in fiscal 1996 and $96,014 in fiscal 1997 from the highway special revenue fund. Drug testing of employees is a requirement of the federal highway administration in order to participate in the federal highways programs.

3) Data Processing Equipment - The legislature approved the expenditure of $254,000 in fiscal 1996 and $289,000 in fiscal 1997 of highway special revenue to upgrade the department's data processing local area network and increase data memory capacity. This increase will give MDT increased capacity for data storage and will enable the department to have the ability to store and retrieve "imaged" information. Also included in this request are additional licenses for the use of commercial software.

4) Rewire MDT Complex - The legislature approved $189,675 from highway special revenue in fiscal 1996 to allow the MDT to rewire its Helena-based buildings in order to support the expanding requirements and capabilities of its data processing network in the near and long term future. According to MDT, the department's need for imaging, multi-media, records storage/retrieval, etc, all require faster network wire. This is a one-time-only appropriation and will not be included in the base budget for the 1999 biennium budget request.

5) Contract Fuels Tax Audit - The legislature authorized the department to spend $184,825 of state special revenue each year of the 1997 biennium to contract with private auditors to conduct audits and assessments of fuels tax users, consulting contracts, and utility relocations. MDT, as a member of the International Fuel Tax Registration Program (IFTA) and the International Registration Program (IRP), is required to conduct a specified number of audits of motor fuel tax users, distributors, dealers and transporters operating within Montana. Failure to meet these audit requirements could result in removal from the organizations, possible loss of federal funds, and the loss of cooperation and sharing of information and services with other members of the organizations. The MDT estimates costs of the motor fuel audits to be approximately $87,500 per year. This is a one-time-only appropriation and will not be included in the base budget for the 1999 biennium budget request.

6) Project Financial Management System - The legislature approved $66,000 each year of the 1997 biennium of HSRA funds to continue the development of the new financial monitoring system. The 1993 legislature authorized MDT to add 2.0 FTE programmers to design and implement an integrated project and financial management system for all highway construction projects. The department's financial systems need to be changed to reflect the changes in accounting, monitoring, and billing required by the Intermodal Surface Transportation Act of 1991 (ISTEA). However, as a result of imposed FTE reductions, the positions were not filled, and the project has not proceeded on schedule. Only the analysis portion is completed, and the department has just begun the design work. This is a one-time-only appropriation and will not be included in the base budget for the 1999 biennium budget request.

7) Privatize Data Entry Services - Part of the personal services reduction required by the legislature includes a reduction in the General Operations program of 5.85 FTE from data entry. As a mitigating measure, the legislature added highway special revenue funds of $20,000 each year to contracted services in order to contract with private data processing contractors to perform data entry services for the department. This results in part of the reported savings from personal services reductions being transferred to operating expenses.

8) Dyed Fuel Pilot Project - The legislature is authorizing the department to spend $100,000 each year from the highway special revenue account to begin a pilot project to test for the highway use of fuels. High-sulfur diesel fuels, which are not taxed by either the state or federal governments, are not allowed as motor carrier fuel on public highways. As a means to insure that this high-sulfur fuel is not used on public roads, the fuel is dyed red at the refinery. State and federal officials can then inspect vehicles using the highways to determine if non-taxed (dyed) fuel is being used. Preliminary sampling from random testing has indicated that approximately 14 percent of diesel-operated vehicles are using the non-taxed fuel on Montana's highways. The fraudulent use of non-taxed fuel reduces Montana highway revenues. The department has been negotiating with the federal government to join with MDT in this pilot project. If federal funds become available as a result of these negotiations, the department would operate the project with federal funds. No FTE are included in this proposal. The funds will be used to purchase laboratory equipment and supplies and to pay for mailing and delivery of fuel samples. MDT will contract with the Montana Department of Environmental Quality to conduct the testing of the fuel samples. The Department of Environmental Quality budget includes additional funds for this work.

9) IFTA/IRP Grant - The legislature approved $49,700 each year of the 1997 biennium from the federal special revenue account to continue to implement a statewide Multi-Modal Transportation and Intermodal Facilities Plan as required by the Motor Carrier Act of 1991. The 1993 legislature authorized the department to spend approximately $50,000 each year of the biennium for consulting services to implement a statewide Multi-Modal Transportation and Intermodal Facilities Plan. The 1993 legislature directed that these funds not be included in the 1995 base budget due to uncertainties in long term funding at that time.

10) Montana Tax and Revenue System (MOTRS) - The legislature approved $1,086,000 each year of the 1997 biennium from highway special revenues to develop an integrated motor carrier registration and fuels tax financial system. The funds will be used to hire a private consulting firm to develop the system. The legislature required that developmental costs of $261,000 in fiscal 1996 and $204,000 in fiscal 1997 be appropriated as a one-time-only appropriation and not be included in the base budget when preparing the 1999 budget request.

11) Personal Services Reduction - The legislature authorized a reduction of 5.85 FTE and approximately $178,000 of highway special revenue funds each year of the 1997 biennium. This action is a funding reduction of 4 percent from the 1996 present law budget and is to fund the pay plan.

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DEPARTMENT OF TRANSPORTATION **CONSTRUCTION PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	849.08	28.95	3.00	881.03	28.95	4.00	882.03	882.03
Personal Services	30,527,844	200,759	(99,815)	30,628,788	336,789	(83,598)	30,781,035	61,409,823
Operating Expenses	161,186,315	46,862,031	16,178,937	224,227,283	53,345,405	20,608,557	235,140,277	459,367,560
Equipment	1,520,579	(972,277)	551,295	1,099,597	(722,413)	239,880	1,038,046	2,137,643
Capital Outlay	5,741,034	(341,034)	246,000	5,646,000	(341,034)	246,000	5,646,000	11,292,000
Grants	815,724	(651,724)	400,000	564,000	(651,724)	500,000	664,000	1,228,000
Total Costs	$199,791,496	$45,097,755	$17,276,417	$262,165,668	$51,967,023	$21,510,839	$273,269,358	$535,435,026
Fund Sources								
State/Other Special	52,042,105	8,905,670	12,050,223	72,997,998	10,235,594	16,607,710	78,885,409	151,883,407
Federal Special	147,749,391	36,192,085	5,226,194	189,167,670	41,731,429	4,903,129	194,383,949	383,551,619
Total Funds	$199,791,496	$45,097,755	$17,276,417	$262,165,668	$51,967,023	$21,510,839	$273,269,358	$535,435,026

Program Description

The Construction program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. The program's responsibilities include such tasks as project design, public hearings, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the supervision of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work approved as meeting established construction standards.

Funding

The Construction program is funded from the HRSA and federal transportation funds from ISTEA. HSRA appropriations include approximately $30 million in fiscal 1996 and $35 million in fiscal 1997 for 100 percent state funded construction projects. The remaining state funds are appropriated to fund all administrative and overhead costs and are used to match average federal ISTEA construction funds (13% state: 87% federal).

Present Law Adjustments

1) Personal Services - The base budget for personal services is reduced by 14.50 FTE and approximately $400,000. These positions are transferred to the Maintenance program. Offsetting this reduction is the addition of 43.45 FTE and $960,000 each year of the biennium required for projected increases in construction projects during the 1997 biennium. The department has historically been allowed to adjust FTE based upon forecasted construction requirements. Other present law adjustments in personal services are: a) a reduction of $1.6 million for early retirement payments made in fiscal 1994; b) an increase of $600,000 in projected overtime due to the anticipated increase in construction; and c) the continuation of the 1995 biennium pay plan.

4) Construction - Construction payments to contractors are increased by $44.3 million in fiscal 1996 and $50.9 million in fiscal 1997. The increase in construction forecasted is a result of delays in construction projects contracted during the 1995 biennium. Most of the these projects will be fully underway in fiscal 1996.

5) Utility Relocations - The department projects a reduction in contractor payments for utility relocation of $4.8 million each year.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$200,759	$336,789
2 Inflation/Deflation	45,202	63,604
3 Fixed Costs	58,872	58,872
Other Present Law Adjustments		
4 Construction Payments	$44,306,438	$50,897,406
5 Utility Relocation Payments	(4,807,425)	(4,807,425)
6 Consulting Engineers	6,166,102	6,205,023
7 Other Operating Expenses	450,050	456,861
8 Equipment Rent	460,037	238,735
9 Equipment	(972,277)	(722,413)
10 Right of Way Acquisitions	(341,034)	(341,034)
11 Grants	(663,724)	(663,724)
12 Miscellaneous	194,755	244,329
Total Present Law Adjustments	$45,097,755	$51,967,023

6) Consulting Engineering - The present law for consulting engineering contracts is increased by $6.2 million each year as a result of increased construction activity projected for the 1997 biennium.

7) Other Operating Expenses - Supplies, travel, and communication expenses increase approximately $450,000 in fiscal 1996 and $457,000 in fiscal 1997 due to overhead costs of the projected increase in construction.

8) Equipment Rent - The department rents most of its equipment internally from MDT'S Equipment program. Equipment rental payments are made to the Equipment program, which in turn uses these revenues to maintain and replace its inventory. Equipment rental is increased by approximately $460,000 in fiscal 1996 and $239,000 in fiscal 1997 due to the projected increased in construction.

9) Equipment - The equipment budget is reduced by $972,277 in fiscal 1996 and $722,413 in fiscal 1997.

10) Right of Way Acquisition - The department projects the annual cost of right of way acquisitions on historical experience, which is approximately 3.0 percent of the annual $180 million construction program. This results in a reduction of $341,034 each year of the 1997 biennium. Since fiscal 1992, expenditures for right of way acquisitions have averaged approximately $4.9 million per year.

11) Grants - Grants are reduced by $663,724 each year of the 1997 biennium. This reduction is due to grants to local governments not recommended in the 1997 biennium budget. The $158,000 remaining in present law is a local assistance technical grant to Montana State University.

12) Miscellaneous - Other present law adjustments include additional training and education costs, contract laboratory testing and contracts with non-profits.

New Proposals

1) Wetland Mitigation - This legislature approve $496,0000 (80/20 federal/state match) each year of the 1997 biennium to establish a required wetland mitigation program for existing and proposed impacts resulting from past and future highway construction projects, as required by the federal Clean Water Act. A total of $246,000 each year will be used to acquire wetlands to mitigate the impacts on Montana's wetlands as a result of highway construction. The request also includes $250,000 each year for permit fees.

2) Stormwater Discharge Permits - The legislature approved $250,000 for permit fees (50 projects at $5,000 each) (86/14 federal/state match) each year of the 1997 biennium to meet requirements of the Montana Pollutant Discharge Elimination System Stormwater Discharge Permit.

3) Safety Management System - The legislature authorized 1.0 FTE and about $36,000 (86/14 federal/state match) each year of the 1997 biennium to support the newly developed safety management system, one of six management systems required by ISTEA.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Wetland Mitigation			$496,000			$496,000
2 Stormwater Discharge			250,000			250,000
3 Safety Managment System	1.00		36,342	1.00		36,452
4 Bridge Seismologist	1.00		36,306	1.00		36,416
5 Bridge Management System	1.00		33,342	1.00		33,452
6 Metric Conversion			4,446,347			115,215
7 City Park Rest Area Program			400,000			500,000
8 Misc. New Equipment			260,295			119,880
9 GPS Survery Equipment			120,000			120,000
10 Pavement Binder Testing				1.00		29,086
11 Increase RTF Program			10,000,000			15,000,000
12 Increase Construction Program			1,041,590			4,977,342
13 Claggett Hill Project			350,000			
14 Personal Services Reductions			(193,805)			(203,004)
Totals	3.00		$17,276,417	4.00		$21,510,839

4) Bridge Seismic Retrofit - The legislature authorized 1.0 FTE and approximately $36,000 (86/14 federal/state match) each year of the 1997 biennium to perform seismic analysis on existing bridges and to apply current seismic design standards to new bridges. This is one of six management systems required by the federal ISTEA.

5) Bridge Management System - The legislature authorized 1.0 FTE and about $33,000 (86/14 federal/state match) each year of the 1997 biennium for engineering support staff for the bridge management system, one of six management systems required by the federal ISTEA.

6) Metric Conversion - The legislature authorized $4,446,347 (including $627,110 state highway funds) in fiscal 1996 and $115,215 (including $45,951 state highway funds) in fiscal 1997 to fund the metric conversion of the MDT. This conversion is mandated by the federal Omnibus Fair Trade and Competitive Act of 1988. This act requires federal agencies and recipients of federal highway funds to use the metric system in procurement, grants, design work, and other government related activities. The Federal Highway Commission adopted a five year plan, which targeted the date of September 30, 1996 as it's conversion target date. Failure to comply with this mandate will result in the loss of federal highway construction funds. The legislature directed that this appropriation be listed as a restricted/one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

7) City Park Rest Area Program - The legislature authorized $400,000 in fiscal 1996 and $500,000 in fiscal 1997 from the highway trust fund account for the construction of additional city park rest areas on the state highway system. The city park rest area program was implemented in 1991 by MDT as a means to build needed rest areas along the primary routes at a considerable cost savings to the state in construction and maintenance costs, while also offering Montana's smaller communities the opportunity to encourage travelers to use other community services and businesses. Currently, nine Montana communities have expressed an interest in participating in this program. The legislature directed that this appropriation be listed as a restricted/one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

8) Miscellaneous New Equipment - The legislature approved $260,295 in fiscal 1996 and $119,880 in fiscal 1997 from the highway trust fund account to purchase a variety of office, computer, and testing equipment. The legislature directed that this appropriation be listed as a one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

9) Global Position System (GPS) Survey Equipment - The legislature approved the appropriation of $120,000 each year of the 1997 biennium from the highway special revenue account to purchase survey grade accuracy GPS receivers and associated planning and processing software. This new survey technology incorporates the use of orbiting satellites. The technology is expected to provide more accurate control surveys and reduce manhour requirements. The legislature directed that this appropriation be listed as a one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

10) Pavement Binder Testing - The legislature approved $29,086 (80/20 federal/state match) in fiscal 1997 to fund 1.0 FTE in the materials testing unit due to a change in specifications for pavement binders.

11) Increase Reconstruction Trust - The legislature approved an increase to the Reconstruction Trust program by $10 million in fiscal 1996 (to a total of $32 million) and by $15 million in fiscal 1997 (to a total of $35 million). The funds requested in this proposal will initially be directed at pavement preservation projects and preconstruction engineering for major reconstruction work to begin in the 1999 biennium.

The Reconstruction Trust program was created by the Montana legislature in 1983 as a ten year, 100 percent state funded, program to address the inability of the federal aid programs to meet Montana's highway transportation needs. In 1991, the 52nd Legislature extended the RTF program through July 1, 2003. An annual $40 million program was authorized for ten years, but it was never funded at that level. RTF spending has averaged about $20 million in the past two biennia.

12) Increase Construction Program - The legislature added increased funding to the construction program in the amount of $1,041,590 in fiscal 1996 and $4,977,342 in fiscal 1997. These additional funds are the total of 11 executive new proposals (which included 26 FTE) not adopted by the legislature. Instead of the new proposals, the legislature chose to put these funds into highway construction in order to allow MDT to utilize the state highway revenue funds and the federal matching dollars associated with the rejected new proposals. The legislature allows MDT latitude in the use of the additional funds as long as no permanent FTE are added to the agency.

13) Clagget Hill Preconstruction - The legislature appropriated $350,000 in fiscal 1996 for survey and preliminary design on the Claggett hill road in Fergus County. This appropriation was later deleted by Governor Racicot in a line item veto of HB 2 issued May 12, 1995.

14) Personal Service Reduction - The legislature approved a reduction in the present law budget of the construction program by $193,805 in fiscal 1996 and $203,004 in fiscal 1997 to be applied as vacancy savings. This reduction is applied as a 50/50 split between state and federal funds.

Language

"Item 2e [Clagget Hill Road] is for survey, preliminary design, and staking work, to be performed by or at the direction of Fergus County, on the Claggett hill (old stage road) project. The legislature intends that this work be completed no later than October 31, 1995." (Governor Racicot vetoed this appropriation and this language was struck.)

"If the total net revenue from the fuel tax exceeds the revenue estimate established in House Joint Resolution No. 9, the department shall increase the urban and secondary appropriations included in item 2 by the amount the revenue estimate is exceeded, up to $15 million for the biennium. The increase must be divided on a 40% urban/60% secondary basis."

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DEPARTMENT OF TRANSPORTATION MAINTENANCE PROGRAM Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	637.38	14.50	(72.95)	578.93	14.50	(72.95)	578.93	578.93
Personal Services	23,585,752	842,563	(2,449,184)	21,979,131	952,207	(2,458,545)	22,079,414	44,058,545
Operating Expenses	33,587,118	1,680,768	1,000,000	36,267,886	2,291,949	1,000,000	36,879,067	73,146,953
Equipment	811,289	(608,716)	124,781	327,354	(612,765)	124,781	323,305	650,659
Capital Outlay	96,191	13,911	0	110,102	13,911	0	110,102	220,204
Total Costs	$58,080,350	$1,928,526	($1,324,403)	$58,684,473	$2,645,302	($1,333,764)	$59,391,888	$118,076,361
Fund Sources								
State/Other Special	58,060,596	1,948,280	(1,324,403)	58,684,473	2,665,056	(1,333,764)	59,391,888	118,076,361
Federal Special	19,754	(19,754)	0	0	(19,754)	0	0	0
Total Funds	$58,080,350	$1,928,526	($1,324,403)	$58,684,473	$2,645,302	($1,333,764)	$59,391,888	$118,076,361

Program Description

The Maintenance program is responsible for preserving and maintaining a safe and environmentally sound state highway transportation system and its related facilities. Major maintenance activities include the patching, repair, and periodic sealing of highway surfaces, snow removal, and sanding.

Funding

The Maintenance program is funded 100 percent from the highways special revenue account.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$842,563	$952,207
2 Inflation/Deflation	725,107	1,651,823
3 Fixed Costs	(5,094)	(5,094)
Other Present Law Adjustments		
4 County Weed Control	$196,296	$196,296
5 Rest Area Maintenance	87,450	87,450
6 Field Supplies	454,410	454,410
7 Rent	209,171	(107,106)
8 Equipment	(608,716)	(612,765)
9 Maintenance Facilities	63,103	63,103
10 Miscellaneous	(35,764)	(35,022)
Total Present Law Adjustments	$1,928,526	$2,645,302

Present Law Adjustments

1) Personal Services - Personal services increases are a net of the following adjustments: a) an additional 14.50 FTE and approximately $400,000 transferred in from the Construction program; b) the continuation of the 1995 biennium pay plan (approximately $270,000); c) restoration of vacancy savings realized in fiscal 1994 (approximately $950,000); and d) a reduction of $780,000 due to early retirement payments made in fiscal 1994.

4) County Weed Control - The legislature approved a present law adjustment of $196,296 (an increase of 32 percent) each year for county weed control. The counties perform noxious weed control on MDT property and the department reimburses the cost. The counties have notified the department that they will be increasing weed suppression activity during the coming biennium. From fiscal year 1991 to fiscal 1994, the department has spent a per year average of $567,160 on county weed control payments.

5) Rest Area Maintenance - This present law adjustment is to cover the cost of increased rest area maintenance contracts, reflecting current changes in maintenance contract costs and additional rest areas.

6) Field Supplies - The base budget for field supplies is increased by $454,410 each year of the biennium. According to MDT, this adjustment is based upon increasing costs and frequency of damage to roadway components such as guard rails and signs. The increase also includes the cost of new fuel storage tanks for additional fuel storage facilities required as part of the consolidated fueling program, intended to provide fueling sites for other government agencies.

7) Rent - This present law adjustment increases the base budget for rental costs paid for the use of equipment provided by the Equipment program (trucks, backhoes, etc). According to MDT, this increase is necessary to cover increased replacement costs of the equipment inventory.

8) Equipment - The equipment budget is reduced by $608,716 in fiscal 1996 and $612,765 in fiscal 1997.

9) Maintenance Facilities - The present law includes an additional $63,103 each year for the relocation and improvements of maintenance facilities and sites.

5401 03 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Hazardous Waste Cleanup			$1,000,000			$1,000,000
2 Radio Equipment			124,781			124,781
3 Personal Services Reductions	(72.95)		(2,449,184)	(72.95)		(2,458,545)
Totals	(72.95)		($1,324,403)	(72.95)		($1,333,764)

New Proposals

1) Hazardous Waste Cleanup - The legislature approved a new proposal to provide $1 million each year of the 1997 biennium from the highways special revenue account for the cleanup of hazardous waste at MDT maintenance facilities statewide. The need is required by present non-compliance with state and federal regulations. The department was appropriated $1 million each year of the 1995 biennium to develop a plan for hazardous waste cleanup and management. Expenditures from that appropriation were removed from the MDT present law budget for the 1997 biennium. This proposal is for the 1997 biennium only. However, the department anticipates it will request reauthorization of the project in the future until cleanup is completed and the department is in compliance.

2) Radio Equipment - The legislature approved $124,781 each year of the 1997 biennium from the highway special revenue account to purchase additional radios, repeaters, and communications test equipment. According to MDT, the department does not have state-wide radio communications. This request will provide two-way radio communication throughout the state. The legislature directed that expenditures from this appropriation not be included in the base budget when preparing the 1999 biennium budget request.

3) Personal Service Reduction - The legislature approved a reduction in the present law budget of the maintenance program by 72.95 FTE and over $2.4 million each year to fund the pay plan.

5401 07 00000 DEPARTMENT OF TRANSPORTATION — STATE MOTOR POOL Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	5.00	(5.00)	0.00	0.00	(5.00)	0.00	0.00	0.00
Personal Services	154,329	(154,329)	0	0	(154,329)	0	0	0
Operating Expenses	293,188	(293,188)	0	0	(293,188)	0	0	0
Equipment	360,911	(360,911)	0	0	(360,911)	0	0	0
Total Costs	$808,428	($808,428)	$0	$0	($808,428)	$0	$0	$0
Fund Sources								
Proprietary	808,428	(808,428)	0	0	(808,428)	0	0	0
Total Funds	$808,428	($808,428)	$0	$0	($808,428)	$0	$0	$0

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees in the Helena area to conduct official state business.

House Bill 576

Removal of Proprietary Funds - The legislature eliminated the funding for the Motor Pool program due to passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature. This accounted for a present law reduction of 5.0 FTE and proprietary funds of $1,180,082 in fiscal 1996 and $1,273,165 in fiscal 1997.

The following table shows the number of vehicles in the motor pool fleet and the mileage rates charged state agencies for the use of a motor pool vehicle.

Table 3
Motor Pool Fleet and Mileage Rates

	Base Fleet	Outstation Fleet	Fiscal 1996 Mileage Rate	Fiscal 1997 Mileage Rate
4x4 Utility	10	2	$0.2384	$0.2596
Compacts	27	0	$0.2434	$0.2646
Passenger car	130	53	$0.1952	$0.2164
Pickup	10	20	$0.1963	$0.2174
Van	20	8	$0.3407	$0.3619
	197	83		

New Proposals

Although the program tables above show no new proposals for the Motor Pool in the 1997 biennium, that is the result of taking the program's proprietary funds off-budget due to passage of HB 576. Prior to this action, the legislature had approved the following new proposal:

1) Outstationed Motor Pool Vehicles - The legislature approved a new proposal to authorize the purchase of vehicles for lease to four state agencies. Under this proposal the State Motor Pool will provide all the vehicles required by the Departments of Revenue, Corrections & Human Services, Family Services, and Labor and Industry for the 1997 biennium. In turn, the legislature removed from the budgets of these agencies all new proposals to purchase new vehicles in the 1997 biennium. Instead, the budgets of the four agencies now include an amount for lease payments to the state motor pool. The state motor pool would be responsible for management of the vehicles, including routine maintenance and fueling. The executive asserts that, because the motor pool is in the business of managing vehicle fleets and over the years has developed vehicle management systems, they should be better able to efficiently maintain leased vehicles.

This budget proposal provides for an additional $754,510 in fiscal 1996 and $548,555 in fiscal 1997 from the motor pool proprietary account. Included are funds to purchase 53 vehicles in fiscal 1996 and 30 vehicles in fiscal 1997. The base budgets of the four leasing agencies are reduced by a combined total of $616,000 ($581,500 general fund) in fiscal 1996 and $211,000 ($173,900 general fund) in fiscal 1997.

Language

"The department is authorized to obtain contributed capital from the highway special revenue account for the motor pool proprietary account for the purpose of managing the motor pool account fund balance in accordance with the federal government's interpretation of OMB Circular A-87. The department shall make such accounting entries in amounts minimally sufficient to avoid federal assessments."

5401 08 00000 DEPARTMENT OF TRANSPORTATION Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	EQUIPMENT PROGRAM PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	122.00	(122.00)	0.00	0.00	(122.00)	0.00	0.00	0.00
Personal Services	4,309,988	(4,309,988)	0	0	(4,309,988)	0	0	0
Operating Expenses	5,412,943	(5,412,943)	0	0	(5,412,943)	0	0	0
Equipment	5,848,545	(5,848,545)	0	0	(5,848,545)	0	0	0
Total Costs	$15,571,476	($15,571,476)	$0	$0	($15,571,476)	$0	$0	$0
Fund Sources								
Proprietary	15,571,476	(15,571,476)	0	0	(15,571,476)	0	0	0
Total Funds	$15,571,476	($15,571,476)	$0	$0	($15,571,476)	$0	$0	$0

Program Description

The Equipment program is responsible for the purchase, distribution, and maintenance of all highway equipment and vehicles necessary to meet the department's construction, maintenance, and Gross Vehicle Weight enforcement needs. The equipment, which operates under a proprietary fund, is rented to the other programs within the Department of Transportation.

House Bill 576

Removal of Proprietary Funds - The legislature eliminated the funding for the Equipment program due to passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature. This accounted for a present law reduction of 122.0 FTE and proprietary funds of $14,904,087 in fiscal 1996 and $15,664,257 in fiscal 1997.

New Proposals

The program tables above show no new proposals for the Equipment program in the 1997 biennium, that is the result of taking the program's proprietary funds off-budget due to passage of HB 576. Prior to this action, the legislature had approved the following two new proposals:

1) Miscellaneous Equipment - The legislature approved an additional $271,511 from the proprietary account in fiscal 1996 to purchase equipment.

2) Personal Services Reductions - The legislature approved a reduction in the present law budget of the Equipment program by 6.0 FTE and $198,454 in fiscal 1996 and $199,153 in fiscal 1997 to fund the pay plan.

5401 12 00000

DEPARTMENT OF TRANSPORTATION **STORES INVENTORY**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	16,498,402	(16,498,402)	0	0	(16,498,402)	0	0	0
Total Costs	$16,498,402	($16,498,402)	$0	$0	($16,498,402)	$0	$0	$0
Fund Sources								
State/Other Special	16,498,402	(16,498,402)	0	0	(16,498,402)	0	0	0
Total Funds	$16,498,402	($16,498,402)	$0	$0	($16,498,402)	$0	$0	$0

Program Description

The Stores Inventory program was used as internal purchasing function, purchases were made of office and construction supplies and bulk items (road oil, sand, gasoline, etc) and then were distributed to other programs of the department, who in turn paid the Stores Inventory program for the item received.

Funding

This program was funded from reimbursements from other department programs that purchased products from the Stores Inventory program.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Stores Inventory	($16,498,402)	($16,498,402)
Total Present Law Adjustments	($16,498,402)	($16,498,402)

Present Law Adjustments

1) Stores Inventory Program Appropriation - The legislature did not appropriate funds for the Stores Inventory program for the 1997 biennium. This appropriation was a double appropriation necessitated by the accounting methodology used by MDT to purchase maintenance materials. The department has determined that another purchasing system, not requiring the use of a double appropriation, will be developed.

5401 22 00000

DEPARTMENT OF TRANSPORTATION — **MOTOR CARRIER SERVICES DIV.**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	112.03	1.00	(0.40)	112.63	1.00	(0.40)	112.63	112.63
Personal Services	3,211,410	179,600	(127,458)	3,263,552	195,785	(127,922)	3,279,273	6,542,825
Operating Expenses	705,545	76,214	35,000	816,759	60,059	35,000	800,604	1,617,363
Equipment	65,288	51,312	0	116,600	(16,688)	0	48,600	165,200
Total Costs	$3,982,243	$307,126	($92,458)	$4,196,911	$239,156	($92,922)	$4,128,477	$8,325,388
Fund Sources								
State/Other Special	3,973,805	315,564	(92,458)	4,196,911	247,594	(92,922)	4,128,477	8,325,388
Federal Special	8,438	(8,438)	0	0	(8,438)	0	0	0
Total Funds	$3,982,243	$307,126	($92,458)	$4,196,911	$239,156	($92,922)	$4,128,477	$8,325,388

Program Description

The Motor Carrier Services Division is responsible for enforcement of the statutes and regulations relating to vehicle weight, size, licensing, fuel, and safety on the state's highways (Title 61, MCA). It also issues permits and operating authority for commercial vehicles and collects gross vehicle weight fees. The Fiscal Bureau registers interstate fleet vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Compliance Bureau operates weigh stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws.

Funding

Funding for this program is from the highways special revenue account.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$157,926	$174,038
2 Inflation/Deflation	1,597	(1,681)
3 Fixed Costs	(18,204)	(18,204)
Other Present Law Adjustments		
4 Office Automation	$7,499	$7,499
5 Travel	48,548	48,591
6 Equipment Rent	5,774	(7,146)
7 Membership Dues	11,000	11,000
8 Credit Card Processing Cost	20,000	20,000
9 Equipment	51,312	(16,688)
10 SB 378 - Deregulation of trucking	21,674	21,747
Total Present Law Adjustments	$307,126	$239,156

Present Law Adjustments

1) Personal Services - Vacancy savings of approximately $155,000 were realized in fiscal 1994, offset by early retirement payments of $55,000. The personal services increase also reflects full funding of all positions, plus the continuation of the 1995 biennium pay plan.

4) Office Automation - Maintenance costs and data processing supplies increase the base budget by approximately $7,500 per year for costs associated with the increased use of personal computers in the field.

5) Travel - The present law for travel is increased approximately $48,500 per year as a result of the reallocation of enforcement efforts from fixed weigh stations to increased use of mobile units.

6) Equipment Rent - This present law adjustment to the base budget for rental costs paid for the use of equipment provided by the Equipment program is increased by $5,774 in fiscal 1996 and is reduced by $7,146 in fiscal 1997.

7) Membership Dues - The present law budget is increased by $11,000 each year for higher annual membership rates for Montana's participation in the American Association of Motor Vehicle Administrators and the Multi-State Highway Transportation agreement.

8) Credit Card Processing - Credit card transaction costs are increased due to higher transaction fees and increased usage of the credit cards by the motor carrier industry for payment of permit fees to MDT.

9) Equipment - Present law equipment totals $116,600 in fiscal 1996 and $48,600 in fiscal 1997 - an increase from the base budget of $51,312 in fiscal 1996 and a decrease of $16,688 in fiscal 1997. The replacement equipment includes: a) portable scales and scale instruments; b) radio equipment; c) radar guns; and d) weigh-in-motion equipment.

10) Senate Bill 378 - SB 378 transferred from the Public Service Commission to the Motor Carrier Division of MDT the responsibility for a single-state registration permit program for interstate motor carriers. Included in the budget for MDT to assume this responsibility is 1.0 FTE.

5401 22 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 IVHS Partnering Project			$35,000			$35,000
2 Personal Services Reductions	(0.40)		(127,458)	(0.40)		(127,922)
Totals	(0.40)		($92,458)	(0.40)		($92,922)

New Proposals

1) Intelligent Vehicle Highway System (IVHS) Partnering Project - The legislature appropriated $35,000 from the highway special revenue account each year of the 1997 biennium to begin the planning for development of IVHS in Montana. IVHS is the use of a modern technology to improve the efficiency, safety and effectiveness of highway transportation systems. According to the MDT, IVHS has the potential to reduce costs while improving the services to the public and to the motor carrier industry. IVHS technologies could make it possible for MDT to weigh vehicles and check registrations without requiring motor carriers to stop at weigh stations.

2) Personal Services Reduction - The legislature reduced the present law budget of the G.V.W. program by 0.4 FTE and $127,458 in fiscal 1996 and $127,922 in fiscal 1997. Approximately $11,000 per year of the reduction is tied to the 0.4 FTE reduction, and the balance of $116,000 per year is to be from vacancy savings of approximately 3.5 percent of the present law personal services budget.

5401 36 00000 DEPARTMENT OF TRANSPORTATION Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
HIGHWAY TRAFFIC SAFETY DIV								
FTE	8.50	0.00	0.00	8.50	0.00	0.00	8.50	8.50
Personal Services	285,412	24,612	0	310,024	26,098	0	311,510	621,534
Operating Expenses	128,022	53,932	0	181,954	54,203	0	182,225	364,179
Equipment	9,442	(4,842)	0	4,600	(4,842)	0	4,600	9,200
Local Assistance	180,701	69,299	0	250,000	69,299	0	250,000	500,000
Grants	542,013	3,557,987	0	4,100,000	3,557,987	0	4,100,000	8,200,000
Total Costs	$1,145,590	$3,700,988	$0	$4,846,578	$3,702,745	$0	$4,848,335	$9,694,913
Fund Sources								
General Fund	180,701	69,299	0	250,000	69,299	0	250,000	500,000
State/Other Special	75,872	10,128	0	86,000	10,007	0	85,879	171,879
Federal Special	889,017	3,621,561	0	4,510,578	3,623,439	0	4,512,456	9,023,034
Total Funds	$1,145,590	$3,700,988	$0	$4,846,578	$3,702,745	$0	$4,848,335	$9,694,913

Program Description

The Highway Traffic Safety Division was established by Title 61, Chapter 2, MCA, to promote public safety, health, and welfare through efforts directed toward reducing death, injury, and property loss resulting from traffic accidents. Projects are developed and initiated in various levels of government primarily through federal grant funds provided through the division to ensure that a long-term, stable, and statewide program exists. Current program priorities include occupant protection and drinking and driving projects. Senate Bill 361 transferred this program, which had been classified as a separate agency, to the Department of Transportation.

Reorganization

Senate Bill 361 transferred the Highway Traffic Safety Division to the Department of Transportation.

Funding

The general fund appropriation for this program is used to pass-through collections from driver's license reinstatement fees to county drinking and driving prevention programs. No general funds are provided for the administrative costs of the Highway Traffic Safety Program.

Highways special revenue funds provide a required 50 percent match on federal funds for administration and planning costs.

Federal funds include $900,000 each year for federal pass-through grant authority. In fiscal 1996 and 1997, an additional $3,200,000 will be received in federal pass-through funds as discussed in item 8b in the "Present Law Adjustment" section.

Present Law Adjustments

1) Personal Services - Increases are due to the fiscal 1995 biennium pay plan ($3,557), vacancy savings, longevity, and increases in benefit costs.

4) Contracted Services - The legislature approved $135,000 each year of the biennium for consultant and professional services. The $135,000 represents a $49,179 annual increase over fiscal 1994 actual expenditures. Public information

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$24,612	$26,098
2 Inflation/Deflation	19	(24)
3 Fixed Costs	4,685	4,999
Other Present Law Adjustments		
4 Contracted Services	$49,179	$49,179
5 Other Expenses	49	49
6 Equipment	(4,842)	(4,842)
7 Local Assistance	69,299	69,299
8 Grants		
a) Pass-Through	357,987	357,987
b) Non-Compliance	3,200,000	3,200,000
Total Present Law Adjustments	$3,700,988	$3,702,745

and education contracts anticipated are: a) $85,000 for alcohol countermeasures; and b) $50,000 for protection of occupants in motor vehicles.

6) Equipment - The legislature approved $4,600 in equipment each year for replacement of two personal computers. This level represents a $4,842 decrease from fiscal 1994 actual expenditures.

7) Local Assistance - Local assistance funds from drivers' license reinstatement fees for distribution to local governments increase $69,299 each year in the 1997 biennium.

8) Federal Pass-Through Grant Funds - The legislature approved $4.1 million each year of the 1997 biennium for federal pass-through grants and funds diverted from federal highway projects.

a) Pass-Through Grants - Pass-through grants increase by $357,987 over fiscal 1994 expenditures. Grants total $900,000 each year.

b) Diversion of Funds Due to Noncompliance - Federal law specifies that states without both safety belt and motorcycle helmet use laws in effect on October 1, 1994, are not in compliance with Section 153 of Title 23 of the United States Code. Because Montana is not in compliance, 3.0 percent of certain highway construction fund apportionments will be transferred to the state's highway safety program each year of the 1997 biennium. Based on fiscal 1994 apportionments for these programs, it is estimated that 3.0 percent will amount to approximately $3.2 million.

The federal highway construction funds would have been used for highway construction. Instead, local governments and state agencies will receive $3.2 million each year of the 1997 biennium, to be used according to the approved Highway Safety Plan submitted to the federal government as shown in Table 4.

Table 4
Federal Highway Construction Funds
Diverted to Highway Traffic Safety Projects

	Federal Fiscal Year 1996		Federal Fiscal Year 1997	
Purpose	Local Benefit	Total Amount	Local Benefit	Total Amount
One-Time Costs				
Traffic Records				
Emergency Medical Services (EMS) data acquisition & use	$100,000	$100,000		
Dept. of Transp. traffic records	0	161,849		
Criminal Justice Info. Network local improvements			$63,000	$63,000
MHP in-car convertible computers			0	600,000
MHP in-car Global Position System (GPS)			0	180,000
Local law enforcement in-car computers			1,000,000	1,000,000
Local law enforcement in-car GPS			573,941	573,941
Alcohol				
MHP in-car videos	0	600,000		
Local law enforcement in-car video	800,000	800,000		
Local DUI Task Forces	200,000	200,000	200,000	200,000
Portable alcohol testing	100,000	100,000	100,000	100,000
Police Traffic Services				
Public safety radio study	100,000	200,000		
Roadway				
Local work zone signing	200,000	200,000		
Local road accident studies	200,000	200,000		
EMS				
Trauma plan implementation	100,000	200,000	100,000	200,000
Ongoing Costs				
Seven new highway patrol	0	438,151 *		283,059 *
Total	$1,800,000	$3,200,000	$2,036,941	$3,200,000

*The equipment associated with these positions is purchased the first year. Therefore, costs decrease the second year.

Language

"It is the intent of the legislature that the school bus safety services, formerly provided by the office of public instruction, be provided by the highway traffic safety division during the 1997 biennium."

5401 40 00000

DEPARTMENT OF TRANSPORTATION **AERONAUTICS PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	10.24	(1.39)	0.00	8.85	(1.39)	0.00	8.85	8.85
Personal Services	321,622	(1,296)	0	320,326	(59)	0	321,563	641,889
Operating Expenses	261,717	108,725	0	370,442	108,932	0	370,649	741,091
Equipment	29,421	(6,421)	0	23,000	(20,921)	0	8,500	31,500
Grants	0	100,000	0	100,000	100,000	0	100,000	200,000
Transfers	6,726	6,727	0	13,453	6,727	0	13,453	26,906
Total Costs	$619,486	$207,735	$0	$827,221	$194,679	$0	$814,165	$1,641,386
Fund Sources								
State/Other Special	491,521	236,700	0	728,221	223,712	0	715,233	1,443,454
Federal Special	73,576	25,424	0	99,000	25,356	0	98,932	197,932
Proprietary	54,389	(54,389)	0	0	(54,389)	0	0	0
Total Funds	$619,486	$207,735	$0	$827,221	$194,679	$0	$814,165	$1,641,386

Program Description

The Aeronautics program is responsible for providing protection and safety in aeronautics and has a stated goal to increase airline and general aviation activity in Montana. The Aeronautics Board advises on matters pertaining to aeronautics. The division is responsible for the operation of the air carrier airport at West Yellowstone and provides technical assistance to communities for planning, construction, maintenance, and other airport development projects. It administers a grant program that provides engineering grants to airport owners planning construction and/or improvement projects. The division also operates and maintains 12 state-owned airports, maintains a statewide aerial search and rescue organization, and enforces state law on aircraft and pilot registration.

Funding

The Aeronautics program is funded by a tax on aviation fuels. Federal funds are Federal Aeronautics Administration grants to be used for programs related to development and maintenance of Montana's airports. Operations of the West Yellowstone airport are supported by a proprietary fund that, due to the passage of HB 576, is no longer appropriated by the legislature.

Present Law Adjustments

1) Personal Services - The base budget for personal services is increased due to a combination of vacancy savings realized in fiscal 1994 and the continuation of the 1995 biennium pay plan in the 1997 biennium.

4) Consulting Services - The legislature includes $60,136 each year (90 percent federal funds) to update the Montana Aviation System. The update will be used to determine the construction and maintenance needs at Montana's public use airports and to develop an Aviation Information Management System.

5) Other Operating Expenses - The legislature includes an increase for supplies, travel, education, and training costs. According to program officials, a large part of this increase is additional fuel needs for the state aircraft, other travel expenses, conference/training fees resulting from increased attendance at meetings, increased search and rescue activity, and administration of new loan and grant programs.

6) Equipment - The present law budget for equipment is reduced by $6,421 in fiscal 1996 and $20,921 in fiscal 1997.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$38,437	$39,937
2 Inflation/Deflation	2,758	5,351
3 Fixed Costs	14,026	14,026
Other Present Law Adjustments		
4 Consulting Services	$60,136	$60,136
5 Other Operating Expenses	63,879	61,176
6 Equipment	(6,421)	(20,921)
7 Grants	100,000	100,000
8 Transfers	6,727	6,727
9 Miscellaneous	9,920	9,920
10 HB 576	(81,727)	(81,673)
Total Present Law Adjustments	$207,735	$194,679

7) Grants - The legislature added a present law adjustment of $100,000 each year of the 1997 biennium for aviation grants to municipal airports.

8) House Bill 576 - Removal of Proprietary Funds - The legislature eliminated 1.39 FTE and proprietary funds of $81,727 for fiscal 1996 and $81,673 for fiscal 1997 due to passage of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. The proprietary appropriations eliminated are for the operations of the West Yellowstone airport. Revenues to the propietary fund are from the following sources: 1) landing fees; 2) fuel flowage fees; 3) facility rental; 4) percentage of vendor sales; 5) airline property tax; and 6) miscellaneous. Table 5 shows the fees that are deposited into this proprietary fund.

Table 5
West Yellowstone Aiport
Proprietary Fund Revenue Sources

LANDING FEES

Aircraft Gross Weight	Commercial Landing Fee	General Aviation Landing Fee
Under 11,000 lbs	$5	$0.00
11,000 to 31,250	$25	$25
31,250 plus	$0.80 per lb	$0.80 per lb

FUEL FLOWAGE FEES $0.06 per gallon

VENDOR FEES 10 percent of gross sales

New Proposals

Although the program tables above show no new proposals for the Aeronautics program in the 1997 biennium, that is the result of taking the program's proprietary funds off-budget due to passage of HB 576. Prior to this action, the legislature had approved the following new proposal:

1) Personal Services Reduction - The legislature approved the reduction from the present law budget of the Aeronautics program by 0.5 FTE and $11,482 in fiscal 1996 and $11,515 in fiscal 1997, to fund the pay plan.

5401 50 00000 DEPARTMENT OF TRANSPORTATION Program Summary				TRANSPORTATION PLANNING DIVISION				
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	54.90	(4.00)	1.70	52.60	(4.00)	1.70	52.60	52.60
Personal Services	1,796,087	(67,499)	43,999	1,772,587	(59,344)	44,243	1,780,986	3,553,573
Operating Expenses	673,425	9,341	1,050,000	1,732,766	41,270	0	714,695	2,447,461
Equipment	89,753	(12,953)	0	76,800	(72,253)	0	17,500	94,300
Grants	2,185,712	(197,928)	0	1,987,784	(197,928)	0	1,987,784	3,975,568
Total Costs	$4,744,977	($269,039)	$1,093,999	$5,569,937	($288,255)	$44,243	$4,500,965	$10,070,902
Fund Sources								
General Fund	28,360	(28,360)	0	0	(28,360)	0	0	0
State/Other Special	662,114	190,522	530,274	1,382,910	187,343	287	849,744	2,232,654
Federal Special	4,054,503	(431,201)	563,725	4,187,027	(447,238)	43,956	3,651,221	7,838,248
Total Funds	$4,744,977	($269,039)	$1,093,999	$5,569,937	($288,255)	$44,243	$4,500,965	$10,070,902

Program Description

The Transportation Planning Division provides: 1) technical assistance to local communities and transit authorities for planning, organizing, operating, and funding transportation systems; 2) administration of federal funds for capital, planning, and operating transit subsidies; 3) a yearly update of the State Rail Plan, and administration of federal and other funds for rail and related facility rehabilitation; 4) monetary assistance to communities through grants, loans, and rail bonding authority; and 5) representation of shippers and the state before the Interstate Commerce Commission and courts on rate issues, branchline abandonments, and service.

Funding

The Transportation Planning Division is funded from the following sources: 1) the highway special revenue account; 2) local government funds to match federal grants; 3) federal rail planning and construction grants; and 4) federal transportation planning grants authorized under ISTEA.

Present Law Adjustments

1) Personal Services - This adjustment reduces 4.0 FTE and approximately $85,000 from the base budget. The FTE are associated with a one-time appropriation for development of the state transportation plan, which by legislative direction was not to be included in the base budget for the 1997 biennium. The present law adjustment continues the 1995 biennium pay plan.

4) Consulting Services - Consulting services decrease in fiscal 1996, but increase in fiscal 1997. Consultants are hired to perform special studies and to provide technical assistance.

5) Communications - Communications increase due to the addition of four phone lines for the collection of traffic counter data.

6) Rent - This increase is due to an increase in equipment rental rates charged by the Equipment program.

7) Equipment - The present law budget for equipment is reduced by $12,953 in fiscal 1996 and $72,253 in fiscal 1997.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	($67,499)	($59,344)
2 Inflation/Deflation	3,242	4,747
3 Fixed Costs	(42)	(42)
Other Present Law Adjustments		
4 Consulting Services	($3,961)	$31,039
5 Communications	2,159	2,159
6 Rent	8,684	2,687
7 Equipment	(12,953)	(72,253)
8 Grants	(197,928)	(197,928)
9 Miscellaneous	(741)	680
Total Present Law Adjustments	($269,039)	($288,255)
LFA Issues With PL Adjustments		
1 Personal Services		

8) Grants - Federal operating assistance grants to local communities are reduced by about $482,000 each year of the biennium. State funded grants for public transportation to cities and urban districts are increased by about $285,000. The state grants are for those communities that maintain a public transportation system.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Transportation Improvement Plan	4.00		$129,260	4.00		$129,795
2 Highway Information System			650,000			
3 McCarty Farms Litigation			400,000			
4 Personal Services Reductions	(2.30)		(85,261)	(2.30)		(85,552)
Totals	1.70		$1,093,999	1.70		$44,243

New Proposals

1) Statewide Transportation Improvement Plan (STIP) - The legislature approved the addition of 4.0 FTE and approximately $130,000 (80/20 federal/state match) each year of the 1997 biennium to continue the STIP program, which was approved by the 1993 legislature for the 1995 biennium, only. In order to be eligible for federal highway transit funds, ISTEA requires the state to develop and maintain a staged, multi-year, financially constrained list of needed transportation projects.

2) Highway Information System - The legislature approved the appropriation of $650,000 (80/20 federal/state match) to develop a Highway Information System, which is one of the six highway management systems required by ISTEA. This appropriation was approved for the 1995 biennium, but due to delays in publication of federal regulations, the department was not able to complete development of the system this biennium ($113,748 was expended, but not included in the base budget). This appropriation will enable the department to extend the completion date for the

project into fiscal 1996. The legislature directed that this appropriation be listed as a restricted/one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

3) McCarty Farms Litigation - The legislature approved a biennial appropriation of $400,000 from the highway special revenue account for the cost of expert testimony associated with the McCarty Farms, et. al lawsuit against Burlington Northern Railroad (BN). This class action lawsuit was initiated in 1980. The plaintiffs are seeking the following: a) damages for the period of time BN is alleged to have charged unlawful rates for the shipment of wheat; b) a change in the methodology used by BN to set its shipping rates; and c) recovery of litigation costs. By agreement with the plaintiffs, the State of Montana has accepted responsibility for providing expert witnesses and developing expert analysis of case evidence and pleadings in this complex case. Assuming a judgement in favor of the plaintiffs, the state will be reimbursed for all costs incurred by the state since 1982 (plus interest). Through fiscal 1994, the state has expended approximately $1.4 million general fund in prosecution of the McCarty Farms case. To date, the courts have determined that: a) the state was a "captive market" for BN, and b) that the rates charged by BN were excessive. The final issue, which is to what extent the rates were excessive, has been remanded to the federal Interstate Commerce Commission, where the case is currently pending. The legislature directed that this appropriation be listed as a restricted/one-time-only appropriation and that it not be included in the base budget when preparing the 1999 biennium budget request.

4) Personal Services Reduction - The legislature approved a reduction to the present law budget of 2.3 FTE and $85,261 ($25,578 state special revenue) in fiscal 1996 and $85,552 ($25,672 state special revenue) in fiscal 1997 to fund the state pay plan.

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DEPARTMENT OF REVENUE

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	684.14	(57.50)	14.25	640.89	(57.00)	14.25	641.39	641.39
Personal Services	17,292,642	1,402,276	(501,486)	18,193,432	1,510,477	(504,463)	18,298,656	36,492,088
Operating Expenses	4,719,420	218,257	22,530	4,960,207	256,215	50,360	5,025,995	9,986,202
Equipment	456,303	(114,273)	55,030	397,060	(155,235)	(138,200)	162,868	559,928
Debt Service	298,518	(93,414)	0	205,104	(93,414)	0	205,104	410,208
Total Costs	$22,766,883	$1,412,846	($423,926)	$23,755,803	$1,518,043	($592,303)	$23,692,623	$47,448,426
Fund Sources								
General Fund	20,520,178	2,183,816	(341,711)	22,362,283	2,337,653	(509,479)	22,348,352	44,710,635
State/Other Special	747,076	99,436	(54,897)	791,615	85,432	(55,355)	777,153	1,568,768
Federal Special	196,692	45,359	(9,668)	232,383	45,212	(9,702)	232,202	464,585
Proprietary	1,302,937	(915,765)	(17,650)	369,522	(950,254)	(17,767)	334,916	704,438
Total Funds	$22,766,883	$1,412,846	($423,926)	$23,755,803	$1,518,043	($592,303)	$23,692,623	$47,448,426

Agency Description

The Department of Revenue (DOR), authorized by section 2-15-1301, MCA, collects revenue from and enforces regulations governing over 30 state taxes and fees. The department is also responsible for regulating the sale and distribution of alcoholic beverages in the state. The department is organized into six divisions with overall agency direction and management coordinated from the Director's Office.

Summary of Legislative Action

The most significant new proposal additions were in the Property Valuation and Operations Divisions. In the Property Valuation Division, the legislature: 1) added $845,000 over the biennium to support the more than anticipated number of assessors and deputy assessors who converted to state employment upon passage and approval of HB 50 during the November 1993 Special Session; and 2) eliminated approximately $215,000 due to contracting with the state Motor Pool for vehicles instead of purchasing them. In the Operations Division, the legislature added $234,930 over the biennium ($30,300 through a present law adjustment) for the purchase of automated mail processing and cashiering equipment to address the mailroom and cashiering bottleneck.

The legislature also removed 2.0 FTE and proprietary funds of almost $525,000 over the biennium from the Liquor Division budget due to passage and approval of HB 576.

The other changes to the budget were primarily the result of present law adjustments, with the most significant being a $1.35 million personal services increase in the Property Valuation Division to adjust for: 1) the conversion of former elected county assessors and deputy assessors to state employees; 2) the reclassification of appraisers and reassignment of workers compensation codes; and 3) vacancy savings experienced in fiscal 1994.

Finally, the legislature authorized the department to borrow up to $50,000 from the general fund in the 1997 biennium to make necessary computer system changes to allow the sale of the Computer Assisted Mass Appraisal System (CAMAS) data to private parties. The loan must be repaid by the end of the 1997 biennium.

Language

"During the 1997 biennium, the department is encouraged to research and to implement, if possible, new electronic technologies, such as increased use of electronic filing for all tax returns, computer imaging, integration of statewide

appraisal systems with statewide geographic information systems, connection to the information superhighway, and any other emerging systems, for the purpose of developing more effective and efficient ways of processing tax data."

Other Legislation

House Bill 171 - This bill creates the excess tax refund agreement (EXTRA), provides for the administration of EXTRA, and appropriates general fund for the refunds and administrative costs.

The bill provides a statutory appropriation for the income tax refunds. In addition, the bill appropriates general fund of $300,000 to the department for fiscal year 1995 to administer the act, with any unexpended funds reappropriated as a biennial appropriation in fiscal 1996 for the 1997 biennium.

House Bill 293 - This bill allows employers to electronically remit and file state income taxes and old fund liability taxes. Although there were no funds appropriated in HB 293 to implement the electronic filing and payment of taxes, the legislature added funds to HB 2 to support costs associated with the legislation: $95,230 over the biennium for one-time only costs of programming and $103,363 over the biennium for on-going costs. Through electronic filing and payment of taxes, the department will be able to reduce the amount of time it takes to process tax forms and deposit tax payments.

House Bill 497 - This property tax relief bill: 1) provides a payment to certain homeowners for property taxes paid; 2) increases the maximum property tax credit for the elderly from $400 to $1,000; 3) increases the exempt value of residential property and income eligibility schedules for the property tax assistance program; 4) provides more information in the department's notice of classification, including information for comparison of mills and taxes for previous years; and 5) appropriates general fund to the department to implement the legislation.

HB 497 provides property tax relief for two years, as the property tax relief provisions of the bill apply beginning with tax year 1995 and terminate after tax year 1996.

The bill appropriates general fund of $7,711,500 in fiscal 1996 and $7,668,000 in fiscal 1997 to the department for the following purposes: 1) $7.5 million per year to implement the tax relief portion of the bill, with any funds remaining from the fiscal 1996 appropriation carried forward into fiscal 1997; 2) $200,000 in fiscal 1996 and $165,000 in fiscal 1997 to administer the act, with unexpended fiscal 1996 funds reappropriated in fiscal 1997; and 3) $11,500 in fiscal 1996 and $3,000 in fiscal 1997 for outreach activities associated with the property tax assistance portion of the bill.

House Bill 550 - This bill streamlines and simplifies wage-based reporting for withholding, unemployment insurance, and old fund liability taxes. It also provides $125,000 biennial appropriations to both the Department of Labor and Industry (which currently collects unemployment insurance taxes) and the Department of Revenue (which collects the other two) to do a cost/benefit analysis to determine the feasibility of integrating employer wage reporting and related functions. The Department of Revenue's appropriation is funded 55 percent from unemployment insurance tax proceeds and 45 percent from workers compensation tax proceeds.

House Bill 560 - This legislation provides for medical care savings accounts, and allows an exclusion from adjusted gross income for funds contained in the account and funds withdrawn from the account for eligible medical expenses. Although HB 560 did not appropriate any funds to implement the tax provisions of the legislation, the legislature added 0.5 FTE and general fund of $30,667 to the department's appropriation in HB 2 in fiscal 1997 for that purpose.

House Bill 574 - This bill provides for the sale of employee-operated state liquor stores. While the bill does have a revenue impact from the one-time only sale of inventory, which is discussed in the "General Fund Revenues" section in the front of the book, no funds were appropriated to implement the legislation.

House Bill 576 - The liquor administration program FTE and funding were removed from the budget (2.0 FTE and proprietary funds of $524,781 over the biennium) as a result of this bill, which eliminates the requirement that most proprietary funds be appropriated.

Senate Bill 417 - This legislation, among other things, establishes a task force administratively attached to the Department of Revenue to review local government funding and to examine all aspects of taxation in Montana. The task force is to make recommendations to the Governor and legislature on short-term and long-term tax policy strategies.

SB 417 also: 1) establishes a state special revenue account for any payments, contributions, gifts, and/or grants the task force may receive to carry out its duties; and 2) appropriates general fund of $15,000 to the department for the use of the task force.

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DEPARTMENT OF REVENUE **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	684.14	648.39	640.89	(7.50)	648.39	641.39	(7.00)	(7.00)
Personal Services	17,292,642	18,389,384	18,193,432	(195,952)	18,482,227	18,298,656	(183,571)	(379,523)
Operating Expenses	4,719,420	5,160,390	4,960,207	(200,183)	5,275,922	5,025,995	(249,927)	(450,110)
Equipment	456,303	364,230	397,060	32,830	156,279	162,868	6,589	39,419
Debt Service	298,518	205,104	205,104	0	205,104	205,104	0	0
Total Costs	$22,766,883	$24,119,108	$23,755,803	($363,305)	$24,119,532	$23,692,623	($426,909)	($790,214)
Fund Sources								
General Fund	20,520,178	22,343,806	22,362,283	18,477	22,391,686	22,348,352	(43,334)	(24,857)
State/Other Special	747,076	911,548	791,615	(119,933)	896,901	777,153	(119,748)	(239,681)
Federal Special	196,692	232,383	232,383	0	232,406	232,202	(204)	(204)
Proprietary	1,302,937	631,371	369,522	(261,849)	598,539	334,916	(263,623)	(525,472)
Total Funds	$22,766,883	$24,119,108	$23,755,803	($363,305)	$24,119,532	$23,692,623	($426,909)	($790,214)

Executive Budget Comparison

In addition to approving additional deflation, which resulted in a reduction of $73,779 (of which approximately $68,000 is general fund), the legislature made other changes to the Executive Budget for this agency. The legislature did not approve these new proposals: 1) the old fund liability tax new proposal for a reduction of 5.5 FTE and $262,181 of state special revenue funds over the biennium; 2) the electronic data interchange/electronic fund transfer (EDI/EFT) new proposal for a reduction of 2.0 FTE and $198,593 over the biennium (of which $137,796 is general fund and $60,797 is state special revenue); and 3) the public access new proposal for a general fund savings of $43,800 over the biennium. The legislature further reduced the Executive Budget by eliminating proprietary funds of $524,781 over the biennium from the Liquor Division due to passage of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature.

These reductions were partially offset by the addition of: 1) $84,930 general fund over the biennium to the mailroom/cashiering automation new proposal; 2) 2.0 FTE and $198,593 over the biennium to implement HB 293, which allows electronic filing and remittance of taxes; and 3) 0.5 FTE and $30,667 in fiscal 1997 to implement HB 560, which allows a tax deduction for medical care savings accounts.

5801 01 00000 **DEPARTMENT OF REVENUE** Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
DIRECTORS OFFICE								
FTE	21.00	0.00	(1.00)	20.00	0.00	(1.00)	20.00	20.00
Personal Services	810,667	93,530	(70,441)	833,756	103,164	(70,441)	843,390	1,677,146
Operating Expenses	193,582	118,297	0	311,879	1,798	0	195,380	507,259
Equipment	6,793	(1,543)	0	5,250	(1,543)	0	5,250	10,500
Total Costs	$1,011,042	$210,284	($70,441)	$1,150,885	$103,419	($70,441)	$1,044,020	$2,194,905
Fund Sources								
General Fund	807,504	287,799	(64,940)	1,030,363	219,918	(64,940)	962,482	1,992,845
State/Other Special	2,274	1,269	0	3,543	(2,274)	0	0	3,543
Federal Special	1,269	(330)	0	939	(1,269)	0	0	939
Proprietary	199,995	(78,454)	(5,501)	116,040	(112,956)	(5,501)	81,538	197,578
Total Funds	$1,011,042	$210,284	($70,441)	$1,150,885	$103,419	($70,441)	$1,044,020	$2,194,905

Program Description

The Director's Office provides management control, coordination of policy direction, strategic planning, and legal services to assist the tax and liquor programs fulfill their responsibilities. Legal services staff advise other program staff and handle a large number of tax appeals before the State Tax Appeal Board and state courts. Research and information staff perform and publish studies concerning the impact on state and local revenue sources caused by legislative action, executive decisions, and changes in economic patterns.

Funding

The Director's Office is funded with general fund, state special revenue funds, federal funds, and proprietary funds.

General fund support increases (and proprietary support decreases) because liquor enterprise funds used to support the Director's Office were reduced by approximately $172,000 in the 1997 biennium in response to a legislative auditor concern.

State special revenue consists of unclaimed property funds and proceeds from the accommodations, cigarette, and payroll taxes. These funds are used to pay a portion of the department's biennial audit costs.

Federal funds are also used for biennial audit costs, and are derived from the federal royalty audit program.

Proprietary funds are liquor enterprise funds used to pay the liquor division's share of agency-wide overhead costs of the Director's Office and a portion of the biennial audit costs.

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services due to fiscal 1994 vacancy savings, increases in health insurance and other benefits, and continuation of the fiscal 1995 pay plan.

4) Contracted Services - The legislature added $42,109 in fiscal 1996 and $46,859 in fiscal 1997 for secretarial services, expert witnesses, and a legal intern.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$93,530	$103,164
2 Inflation/Deflation	(483)	(1,761)
3 Fixed Costs	89,980	(39,991)
Other Present Law Adjustments		
4 Contracted Services	$42,109	$46,859
5 Equipment	(1,543)	(1,543)
6 Miscellaneous	(13,309)	(3,309)
Total Present Law Adjustments	$210,284	$103,419

5) Equipment - The legislature reduced equipment expenditures by $1,543 per year to equal the program request for replacement computer and office equipment.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.00)	($64,940)	($70,441)	(1.00)	($64,940)	($70,441)
Totals	(1.00)	($64,940)	($70,441)	(1.00)	($64,940)	($70,441)

New Proposals

1) Personal Services Reduction - The legislature reduced personal service expenditures by $70,441 through elimination of 1.0 FTE, which was a deputy director position eliminated in the fiscal 1994 reorganization.

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DEPARTMENT OF REVENUE **OPERATIONS DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	73.25	0.00	0.00	73.25	0.00	0.00	73.25	73.25
Personal Services	1,997,266	168,173	(107,650)	2,057,789	178,718	(108,520)	2,067,464	4,125,253
Operating Expenses	320,405	56,509	0	376,914	64,358	0	384,763	761,677
Equipment	10,467	18,683	204,630	233,780	10,683	0	21,150	254,930
Total Costs	$2,328,138	$243,365	$96,980	$2,668,483	$253,759	($108,520)	$2,473,377	$5,141,860
Fund Sources								
General Fund	1,704,780	494,690	113,758	2,313,228	505,059	(91,411)	2,118,428	4,431,656
State/Other Special	96,712	9,690	(4,629)	101,773	9,702	(4,843)	101,571	203,344
Proprietary	526,646	(261,015)	(12,149)	253,482	(261,002)	(12,266)	253,378	506,860
Total Funds	$2,328,138	$243,365	$96,980	$2,668,483	$253,759	($108,520)	$2,473,377	$5,141,860

Program Description

The Operations Division was created in fiscal 1994 through a reorganization that combined the former Centralized Services and Data Processing Divisions. The new division: 1) performs a variety of accounting, cashiering, fiscal control, mail receipt and distribution, purchasing, and budgeting services for all department programs, including administration of old fund liability and beer and wine tax collections; and 2) provides automated data and word processing, systems analysis, systems development and maintenance, data entry, computer operations support, technical support, and research services for all department programs.

Funding

The Operations Division is funded with a combination of general fund, state special revenue funds, and proprietary funds. A portion of the increased general fund support, and decreased proprietary fund support totalling approximately $260,000 per year, is due to a reduction in liquor enterprise proprietary funds in response to a legislative auditor concern.

State special revenue funds consist of payroll taxes collected for the workers' compensation old fund liability tax (OFLT).

Proprietary funds are liquor enterprise funds used to support the Liquor Division's share of agency-wide overhead costs associated with provision of centralized fiscal and data processing services.

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services due to fiscal 1994 vacancy savings, increases in health insurance and other benefits, and continuation of the fiscal 1995 pay plan.

4) Contracted Services - The legislature added $35,972 per year to contract for temporary mail opening and cashiering services.

5) Maintenance Contracts - The legislature added $10,100 in fiscal 1996 and $20,200 in fiscal 1997 for maintenance contract costs on the new equipment that will be purchased through the Mailroom/Cashiering Automation new proposal.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$168,173	$178,718
2 Inflation/Deflation	(4,301)	(8,840)
3 Fixed Costs	14,738	17,026
Other Present Law Adjustments		
4 Contracted Services	$35,972	$35,972
5 Maintenance Contracts	10,100	20,200
6 Equipment	18,683	10,683
Total Present Law Adjustments	$243,365	$253,759

6) Equipment - The legislature added $18,683 in fiscal 1996 and $10,683 in fiscal 1997 for replacement computers and printers.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Mailroom/Cashiering Automation		$204,630	$204,630			
2 Personal Services Reductions		(90,872)	(107,650)		(91,411)	(108,520)
Totals		$113,758	$96,980		($91,411)	($108,520)

New Proposals

1) Mailroom/Cashiering Automation - The legislature added a biennial general fund appropriation of $204,630 in fiscal 1996 to: a) develop a Request for Information (RFI) on automated mail and cashiering systems; b) evaluate the systems and processes included in the RFI's received; and c) purchase and install the selected automated system. The legislature also added funds through a present law adjustment to pay for the ongoing repair and maintenance costs associated with the mailroom/cashiering automation.

2) Personal Services Reduction - The legislature reduced personal services expenditures by $107,650 in fiscal 1996 and $108,520 in fiscal 1997. The reduction will be realized through vacancy savings.

5801 05 00000

DEPARTMENT OF REVENUE — **LIQUOR DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	299,723	(67,988)	0	231,735	(67,165)	0	232,558	464,293
Operating Expenses	223,569	(196,545)	0	27,024	(197,012)	0	26,557	53,581
Equipment	53,004	(53,004)	0	0	(53,004)	0	0	0
Total Costs	$576,296	($317,537)	$0	$258,759	($317,181)	$0	$259,115	$517,874
Fund Sources								
General Fund	0	258,759	0	258,759	259,115	0	259,115	517,874
Proprietary	576,296	(576,296)	0	0	(576,296)	0	0	0
Total Funds	$576,296	($317,537)	$0	$258,759	($317,181)	$0	$259,115	$517,874

Program Description

The Liquor Division controls the sale and distribution of alcoholic beverages and the licensing of manufacturers, wholesalers, and retailers of alcoholic beverages in Montana (Title 16, MCA). Through the purchasing program, the division orders merchandise for distribution and sale through the state retail liquor stores, publishes a retail price list on a quarterly basis, analyzes new products and sales patterns of existing products, and audits all merchandise invoices and freight claims. The warehouse program receives and stores all alcoholic beverage merchandise, assembles orders from individual state retail liquor stores/agencies, and schedules shipment of merchandise. The retail stores program supervises and evaluates all phases of state retail store operations, analyzes and audits retail outlet financial condition, negotiates store leases and evaluates bids for selection of agencies, and develops and implements merchandising/marketing techniques and training programs for store personnel and agents. Through the licensing program the division determines qualifications of applicants for manufacture, wholesale, and retail licenses, issues licenses, and processes annual renewals of licenses and registrations. There is also a central administration program which oversees division operations.

The division has typically been funded through two appropriations: 1) a regular appropriation, shown in the table above, that supports personal services and operating expenses of 9.0 FTE associated with the liquor licensing program; and 2) a language appropriation, shown on the next page, which supports 96.0 FTE and costs associated with the liquor warehouse, stores, and purchasing functions.

In the 1997 biennium, the liquor administration function, which consists of an additional 2.0 FTE and almost $525,000 over the biennium, was removed from HB 2 due to passage and approval of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. It was funded under the language appropriation in the 1995 biennium, but included in the HB 2 budget by the executive for the 1997 biennium.

Funding

The Liquor Division is funded with general fund, which supports the licensing program. The licensing program was funded with liquor enterprise (proprietary) funds in previous biennia, but was switched to general fund in the 1997 biennium in response to a legislative auditor concern.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$19,674	$20,952
2 Inflation/Deflation	(7)	(438)
3 Fixed Costs	(7,603)	(7,011)
Other Present Law Adjustments		
4 Other Services	($12,755)	($12,755)
5 Equipment	(53,004)	(53,004)
6 Miscellaneous	(1,993)	(1,993)
7 HB 576 - Removal of Proprietary Funds	(261,849)	(262,932)
Total Present Law Adjustments	($317,537)	($317,181)

Present Law Adjustments

1) Personal Services - The legislature added $19,674 in fiscal 1996 and $20,952 in fiscal 1997 to personal services to adjust for fiscal 1994 vacancy savings, continuation of the fiscal 1995 pay plan, and the increased cost of health insurance and benefits.

4) Other Services - The legislature reduced other services by $12,755 per year through elimination of fiscal 1994 consultant service expenditures.

5) Equipment - The legislature reduced equipment by $53,004 each year to reflect the executive request for no expenditures.

7) House Bill 576 - Proprietary funds supporting the liquor administration program were eliminated from the program budget due to passage of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. The source of the proprietary funds is the mark-up on liquor sold in the state liquor stores. Prior to removal of the proprietary funds, the legislature had approved 2.0 FTE and proprietary funds of $261,849 in fiscal 1996 and $262,932 in fiscal 1997 for the liquor administration program.

New Proposals

1) FTE Target Reduction - The legislature approved the reduction of 4.5 FTE in the liquor merchandising operation, resulting in a proprietary fund savings of $148,814 in fiscal 1996 and $149,504 in fiscal 1997. Because these FTE are authorized through a language appropriation, their reduction is not reflected in the program summary table.

Language

"Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor merchandising operation are appropriated to the department in amounts not to exceed $57,164,000 in fiscal year 1996 and $58,267,000 in fiscal year 1997. During the 1997 biennium, the division shall attempt to return at least [19%] of net sales to the general fund. Net sales are gross sales less discounts [, commissions,] and all taxes collected. The division shall limit biennial operational expenses of the liquor merchandising system to not more than [8.25%] of the net sales. For purposes of this expense limitation, operational expenses include all merchandising expenses, including depreciation, plus department overhead allocable to the merchandising system, but do not include product costs and freight charges. If House Bill No. 574 is not passed and approved, the bracketed language in this paragraph is void and the former text is restored."

HB 574 was passed by the legislature and signed by the Governor, so the language remains as shown.

5801 06 00000 DEPARTMENT OF REVENUE Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
INCOME TAX								
FTE	127.15	2.00	0.00	129.15	2.50	0.00	129.65	129.65
Personal Services	3,158,853	388,127	(173,700)	3,373,280	419,037	(174,575)	3,403,315	6,776,595
Operating Expenses	1,391,176	148,141	0	1,539,317	112,594	0	1,503,770	3,043,087
Equipment	52,341	6,503	0	58,844	(13,752)	0	38,589	97,433
Total Costs	$4,602,370	$542,771	($173,700)	$4,971,441	$517,879	($174,575)	$4,945,674	$9,917,115
Fund Sources								
General Fund	3,984,062	483,215	(152,527)	4,314,750	469,003	(153,260)	4,299,805	8,614,555
State/Other Special	618,308	59,556	(21,173)	656,691	48,876	(21,315)	645,869	1,302,560
Total Funds	$4,602,370	$542,771	($173,700)	$4,971,441	$517,879	($174,575)	$4,945,674	$9,917,115

Program Description

The Income Tax Division administers and enforces the Montana individual income tax laws, including employer withholding and payroll taxes. It is also responsible for administering miscellaneous taxes not administered by other divisions including tobacco, accommodations, inheritance, estate, emergency telephone, various tax "check-offs", and the old fund liability tax (OFLT). The division also trains volunteers to assist others in completing returns, conducts small business clinics to inform employers of the requirements for state tax withholding, and manages training programs for practitioners on changes in tax laws and regulations.

Funding

The Income Tax Division is funded with general and state special revenue funds. Table 1 shows 1997 biennium budgets and funding for each function within the Income Tax Division, along with the net new proposals budget and funding.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$327,153	$344,657
2 Inflation/Deflation	(29,107)	(84,307)
3 Fixed Costs	154,464	163,244
Other Present Law Adjustments		
4 Equipment	($13,141)	($22,741)
5 Miscellaneous	(4,416)	(4,416)
6 Med Care Savings Accounts		30,667
7 EDI/EFT Ongoing Costs	51,642	51,721
8 EDI/EFT One-Time-Only Costs	56,176	39,054
Total Present Law Adjustments	$542,771	$517,879

Present Law Adjustments

1) Personal Services - The legislature added $327,153 in fiscal 1996 and $344,657 in fiscal 1997 for the standard personal services adjustments, which are partially offset by non-continuation of early retirement costs.

3) Fixed Costs - Fixed costs increase due to increased warrant writing costs.

4) Equipment - The legislature reduced equipment by $13,141 in fiscal 1996 and $22,741 in fiscal 1997 to equal the program request for replacement computers and printers.

6) Medical Care Savings Accounts - The legislature added 0.5 FTE and $30,667 in fiscal 1997 to administer the tax exclusion associated with the medical care savings accounts authorized in HB 560.

Table 1
Income Tax Division Budget & Funding
1997 Biennium

	Fiscal 1996				
	Admin/Audit	Support Svcs	Business Tax	New Proposals	Total
FTE	51.2	51.95	26.0	0.0	129.15
Budget					
Personal Services	$1,525,926	$1,321,890	$699,164	($173,700)	$3,373,280
Operating Expenses	499,304	701,133	338,880	0	1,539,317
Equipment	58,844	0	0	0	58,844
Transfers	0	0	0	0	0
Total Budget	$2,084,074	$2,023,023	$1,038,044	($173,700)	$4,971,441
Funding					
General Fund	$2,035,556	$1,933,106	$498,615	($152,527)	$4,314,750
State Special Revenue	0	0	0	0	0
Unclaimed Property	0	77,574	0	(2,684)	74,890
Tax Check Off Admin	0	12,343	0	0	12,343
Emergency Telephone	0	0	5,091	0	5,091
Accomodation Tax	0	0	90,322	(3,125)	87,197
Cigarette Tax	0	0	105,207	(3,640)	101,567
OFLT	48,518	0	338,809	(11,724)	375,603
Total Funding	$2,084,074	$2,023,023	$1,038,044	($173,700)	$4,971,441
	Fiscal 1997				
	Admin/Audit	Support Svcs	Business Tax	New Proposals	Total
FTE	51.7	51.95	26.0	0.0	129.65
Budget					
Personal Services	$1,547,530	$1,328,038	$702,322	($174,575)	$3,403,315
Operating Expenses	498,627	673,351	331,792	0	$1,503,770
Equipment	38,589	0	0	0	$38,589
Transfers	0	0	0	0	$0
Total Budget	$2,084,746	$2,001,389	$1,034,114	($174,575)	$4,945,674
Funding					
General Fund	$2,043,898	$1,912,435	$496,732	($153,260)	$4,299,805
State Special Revenue	0	0	0	0	0
Unclaimed Property	0	76,740	0	(2,698)	74,042
Tax Check Off Admin	0	12,214	0	0	12,214
Emergency Telephone	0	0	5,070	0	5,070
Accomodation Tax	0	0	89,998	(3,147)	86,851
Cigarette Tax	0	0	104,820	(3,666)	101,154
OFLT	40,848	0	337,494	(11,804)	366,538
Total Funding	$2,084,746	$2,001,389	$1,034,114	($174,575)	$4,945,674

7) EDI/EFT Ongoing Costs - The legislature added 1.0 FTE and $51,642 in fiscal 1996 and $51,721 in fiscal 1997 to implement the ongoing component of the electronic filing and remittance of taxes authorized in HB 293.

8) EDI/EFT One-Time-Only Costs - The legislature added 1.0 FTE and $56,176 in fiscal 1996 and $39,054 in fiscal 1997 for operating expenses to implement the one-time-only component of the electronic filing and remittance of taxes authorized in HB 293.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		($152,527)	($173,700)		($153,260)	($174,575)
Totals		($152,527)	($173,700)		($153,260)	($174,575)

New Proposals

1) Personal Services Reductions - The legislature approved vacancy savings of 5 percent in order to reduce personal services costs by $173,700 in fiscal 1996 and $174,575 in fiscal 1997.

Language and Other Issues

The legislature added the following language regarding the EDI/EFT additions:

"Items 4b [HB 293--EDI/EFT Ongoing Costs] and 4c [HB 293--EDI/EFT Programming] are contingent on passage and approval of House Bill No. 293." (House Bill 293 was passed and approved.)

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DEPARTMENT OF REVENUE Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	35.18	0.00	(1.25)	33.93	0.00	(1.25)	33.93	33.93
Personal Services	1,041,930	170,064	(38,763)	1,173,231	176,225	(38,899)	1,179,256	2,352,487
Operating Expenses	459,168	(11,964)	0	447,204	(8,528)	0	450,640	897,844
Equipment	25,509	(13,798)	0	11,711	(14,900)	0	10,609	22,320
Total Costs	$1,526,607	$144,302	($38,763)	$1,632,146	$152,797	($38,899)	$1,640,505	$3,272,651
Fund Sources								
General Fund	1,301,402	69,692	0	1,371,094	77,188	0	1,378,590	2,749,684
State/Other Special	29,782	28,921	(29,095)	29,608	29,128	(29,197)	29,713	59,321
Federal Special	195,423	45,689	(9,668)	231,444	46,481	(9,702)	232,202	463,646
Total Funds	$1,526,607	$144,302	($38,763)	$1,632,146	$152,797	($38,899)	$1,640,505	$3,272,651

CORPORATION TAX

Program Description

The Corporation Tax Division administers various taxes including corporation license tax, oil and gas severance tax, coal severance tax, metal mines tax, gross and net proceeds tax, local government severance tax, electrical energy license tax, and the resource indemnity and ground water assessment tax. The division also administers the state and federal royalty audit programs related to mineral production from state and federal lands located in Montana.

Funding

The Corporation Tax Division is funded with general fund, state special revenue funds, and federal funds. Federal funds are from the U.S. Department of Interior, Minerals Management Service (MMS). The division has a contract with MMS to conduct audits of oil, gas, and coal producers who operate on federal lands in Montana. MMS reimburses the state for all costs of the royalty audit program. Table 2 shows funding by function, including new proposals.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$170,064	$176,225
2 Inflation/Deflation	(578)	(2,739)
3 Fixed Costs	(67,774)	(66,618)
Other Present Law Adjustments		
4 Travel	$24,000	$24,000
5 Federal Indirect Spending Authority	20,792	20,918
6 Equipment	(13,798)	(14,900)
7 Miscellaneous	11,596	15,911
Total Present Law Adjustments	$144,302	$152,797

Present Law Adjustments

1) Personal Services - The legislature added $170,064 in fiscal 1996 and $176,225 in fiscal 1997 due to fiscal 1994 vacancy savings, increased health insurance costs, and annualization of the fiscal 1995 pay plan.

4) Travel - The legislature added $24,000 each year for increased travel in the royalty audit program to fund increased state duties associated with the federal royalty audit contract with U.S. Department of Interior, MMS.

5) Federal Indirect Spending Authority - The legislature added $20,792 in fiscal 1996 and $20,918 in fiscal 1997 to allow the agency to expend federal funds received as payment of statewide and agency indirect costs. In fiscal 1994, these payments amounted to $19,550, and were deposited to the general fund. This change is in response to a legislative auditor

Table 2
Corporation Tax Division Budget & Funding
1997 Biennium

	Fiscal 1996			
	Admin/Audit	Royalty Audit	New Proposals	Total
FTE	30.68	4.50	(1.25)	33.93
Budget				
Personal Services	$1,063,652	$148,342	($38,763)	$1,173,231
Operating Expenses	354,434	92,770	0	447,204
Equipment	11,711	0	0	11,711
Total Budget	$1,429,797	$241,112	($38,763)	$1,632,146
Funding				
General Fund	$1,371,094	$0	$0	$1,371,094
State Special Revenue	0	0	0	0
Oil and Gas ERA	29,608	0	0	29,608
Resource Development	29,095	0	(29,095)	0
Federal	0	241,112	(9,668)	231,444
Total Funding	$1,429,797	$241,112	($38,763)	$1,632,146

	Fiscal 1997			
	Admin/Audit	Royalty Audit	New Proposals	Total
FTE	30.68	4.50	(1.25)	33.93
Budget				
Personal Services	$1,068,985	$149,170	($38,899)	$1,179,256
Operating Expenses	357,906	92,734	0	$450,640
Equipment	10,609	0	0	10,609
Total Budget	$1,437,500	$241,904	($38,899)	$1,640,505
Funding				
General Fund	$1,378,590	$0	$0	$1,378,590
State Special Revenue	0	0	0	0
Oil & Gas ERA	29,762	0	0	29,762
Resource Development	29,148	0	(29,197)	(49)
Federal	0	241,904	(9,702)	232,202
Total Funding	$1,437,500	$241,904	($38,899)	$1,640,505

concern that the total cost of the federal royalty audit program was not being reflected on accounting documents through direct deposit of the indirect cost reimbursements to the general fund.

6) Equipment - The legislature reduced fiscal 1994 expenditures by $13,798 in fiscal 1996 and $14,900 in fiscal 1997, and funds replacement desks, laptop computers, and office furniture.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.25)		($38,763)	(1.25)		($38,899)
Totals	(1.25)		($38,763)	(1.25)		($38,899)

New Proposals

1) Personal Services Reductions - The legislature eliminated 1.25 auditor FTE to generate state special revenue and federal fund savings of $38,763 in fiscal 1996 and $38,899 in fiscal 1997.

5801 08 00000

DEPARTMENT OF REVENUE — **PROPERTY VALUATION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	418.56	(59.50)	16.50	375.56	(59.50)	16.50	375.56	375.56
Personal Services	9,984,203	650,370	(110,932)	10,523,641	700,498	(112,028)	10,572,673	21,096,314
Operating Expenses	2,131,520	103,819	22,530	2,257,869	283,005	50,360	2,464,885	4,722,754
Equipment	308,189	(71,114)	(149,600)	87,475	(82,719)	(138,200)	87,270	174,745
Debt Service	298,518	(93,414)	0	205,104	(93,414)	0	205,104	410,208
Total Costs	$12,722,430	$589,661	($238,002)	$13,074,089	$807,370	($199,868)	$13,329,932	$26,404,021
Fund Sources								
General Fund	12,722,430	589,661	(238,002)	13,074,089	807,370	(199,868)	13,329,932	26,404,021
Total Funds	$12,722,430	$589,661	($238,002)	$13,074,089	$807,370	($199,868)	$13,329,932	$26,404,021

Program Description

The Property Valuation Division performs property appraisal and assessment functions statewide. Specific duties are: 1) completing reappraisal of all real property in accordance with the statutory time schedule; 2) valuing new construction and land use changes; 3) assessing personal property each year; 4) completing an annual sales assessment ratio study to more closely approximate market value of land and improvements for property tax purposes; 5) auditing property tax returns to ensure all taxable property is reported; 6) centrally valuing railroad, public utility, and airline properties; 7) considering all requests for property tax exemptions and reductions; 8) defending the department in tax appeals before county and state tax appeal boards and the courts; and 9) conducting schools for assessors and appraisers.

Funding

The Property Valuation Division is general fund supported.

Present Law Adjustments

The division's fiscal 1995 personal services budget was reduced by $1.2 million general fund and 45.0 FTE due to restructuring and streamlining of the appraisal/assessor functions upon implementation of HB 50 (passed during the November 1993 Special Session). However, the savings that are carried forward into the 1997 biennium are significantly less than that, due to the present law personal services adjustment and the new proposal adding 16.5 FTE. Therefore, the net FTE and general fund savings realized in the 1997 biennium through implementation of HB 50 amount to: 1) 28.5 FTE and 2) approximately $288,337 in fiscal 1996 and $286,890 in fiscal 1997. The following discussion provides background information.

In the November 1993 Special Session, the Property Valuation Division's fiscal 1995 budget was reduced by $1.2 million general fund and 45.0 FTE in response to HB 50 which, among other things: 1) required the restructuring of appraisal and assessment functions; and 2) permitted elected county assessors and deputy assessors to become employees of the department.

In the 1995 biennium, the department's budget included funding for 70 percent of the salaries of 96 elected county assessors and deputy assessors. HB 50: 1) reduced to 50 percent the state share of salaries for elected assessors who did not become state employees; and 2) eliminated state participation in deputy assessor salaries.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$650,370	$700,498
2 Inflation/Deflation	16,644	25,144
3 Fixed Costs	63,875	66,860
Other Present Law Adjustments		
4 Other Services	($138,094)	($50,180)
5 Gasoline	30,000	30,000
6 Books	35,000	35,000
7 Communications	34,000	110,000
8 Travel	13,138	13,138
9 Equipment	(71,114)	(82,719)
10 Installment Purchases	(93,414)	(93,414)
11 Miscellaneous	49,256	53,043
Total Present Law Adjustments	$589,661	$807,370

In the 1997 biennium, only five elected assessors remain. The state's 50 percent share of the five remaining elected assessors salaries is budgeted in contracted services at $105,417 in fiscal 1996 and $109,633 in fiscal 1997.

Prior to passage of HB 50, the state valued (appraised) property, while counties assessed taxes, prepared and mailed tax notices, and collected tax revenue. Consequently, there were separate appraisal and assessor offices, each with its own assembly of staff, in the majority of counties across the state. After implementation of HB 50, as part of the restructuring included in the legislation, the department began consolidating the county appraisal/assessor offices and eliminated 73 mid-management positions in order to realize the $1.2 million general fund savings associated with passage of HB 50.

The elimination of the mid-management positions was possible through creation of 13 regions across the state, each with a regional manager, field staff manager, and office manager to oversee the operations of all appraisal/assessor offices in the region. Previously, there were at least three management personnel in each county: an elected assessor, a deputy assessor, and an appraisal supervisor. In addition to management streamlining, the division now requires that staff in each appraisal/assessor office provide assistance to all counties in the region as necessary.

1) Personal Services - The legislature added general fund of $650,370 in fiscal 1996 and $700,498 in fiscal 1997. These amounts are the net of annualizing the 1995 pay plan, eliminating fiscal 1994 termination costs, and adding approximately $780,000 per year to salaries due to:

* an increase of approximately $200,000 each year for the cost of converting 36 former elected county assessors and deputy assessors to state employees (budgeted at 0.7 FTE in the 1995 biennium, and budgeted at 1.0 FTE in the 1997 biennium);

* an increase of approximately $290,000 for grade changes associated with reclassification of appraisers and reassignment of workers compensation codes;

* a decrease in the number of work hours in the year, which results in net reduction of $31,463; and

* the addition of $250,000, which is the net of fiscal 1994 vacancy savings less personal services reductions associated with FTE reductions from HB 50, SB 168, and HB 643 (discussed below).

The legislature eliminated 59.5 FTE: a) 45.0 FTE to continue November 1993 Special Session action associated with HB 50; b) 8.0 FTE associated with HB 340, passed by the 1991 legislature, which revised taxation of private forest lands; c) 4.5 FTE associated with SB 168, passed by the 1993 legislature, which revised the method of valuing and taxing agricultural land; and d) 2.0 FTE associated with HB 643, passed by the 1993 legislature, which required that parcels from twenty to 160 acres be used primarily for raising and marketing agricultural products in order to be classified agricultural land for property tax purposes.

4) Other Services - The legislature reduced other services by $138,094 in fiscal 1996 and $50,180 in fiscal 1997 due to a reduction in field office consultant services.

5) Gasoline - The legislature added $30,000 per year for gasoline purchases, as travel was severely curtailed in fiscal 1994 due to the hiring freeze and restructuring of county appraisal/assessor functions.

6) Books - The legislature added $35,000 per year to purchase copies of the "Green Guide" used to value heavy equipment.

7) Communications - The legislature added general fund of $34,000 in fiscal 1996 and $110,000 in fiscal 1997 for increased mailing costs associated with reappraisal notifications.

8) Travel - The legislature added general fund of $13,138 per year to annualize lower than usual fiscal 1994 travel costs of three quality performance auditors who, instead of spending 60 percent of their time travelling to do field office site reviews, spent the majority of fiscal 1994 in the central office working on the restructuring of county appraisal/assessor functions.

9) Equipment - The legislature reduced equipment expenditures by $71,114 in fiscal 1996 and $82,719 in fiscal 1997, to equal the department request for replacement computers, copy machines, and county office and computer furniture.

10) Installment Purchases - The legislature reduced installment purchases by $93,414 per year to equal the annual debt service requirements for CAMAS development and the purchase of a mid-range computer.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Adj for Assessors/Deputies-HB50	16.50	$421,663	$421,663	16.50	$423,110	$423,110
2 Motor Pool Lease	0.00	(127,070)	(127,070)	0.00	(87,840)	(87,840)
3 Personal Services Reductions	0.00	(532,595)	(532,595)	0.00	(535,138)	(535,138)
Totals	16.50	($238,002)	($238,002)	16.50	($199,868)	($199,868)

New Proposals

1) Adjust for Assessors/Deputies (House Bill 50) - The legislature added 16.5 FTE and general fund of $421,663 in fiscal 1996 and $423,110 in fiscal 1997 to convert 55 more county assessors and deputy assessors than anticipated to state employees upon passage of HB 50. Prior to conversion to full-time state employment, these positions were budgeted at 0.7 FTE each. After conversion, the positions are budgeted at 1.0 FTE each, resulting in increased personal services costs.

The fiscal note attached to HB 50 anticipated 36 county assessors and deputy assessors would convert to state employment upon implementation of HB 50. The present law personal services adjustment discussed above adds funds to support the additional 0.3 FTE associated with each of those conversions.

3) Motor Pool Lease - The legislature approved the reduction of $127,070 in fiscal 1996 and $87,840 in fiscal 1997 through leasing vehicles from the motor pool instead of purchasing new ones. The division's present law equipment, gasoline, and repair and maintenance budgets were reduced, while the in-state motor pool budget was increased. The

cost of gasoline and maintenance, formerly paid by the agency, are included in the motor pool's rental rate, and arrangements for access to fuel at state fueling network sites will be made.

4) Personal Services Reduction - The legislature reduced personal services by $532,595 in fiscal 1996 and $535,138 in fiscal 1997. The reduction will be achieved through vacancy savings.

Language

"The department is appropriated revenue deposited to the property valuation improvement fund in the 1997 biennium in amounts not to exceed $250,000 in fiscal year 1996 and $250,000 in fiscal year 1997."

"The department is authorized to borrow up to $50,000 from the general fund in the 1997 biennium for the property valuation improvement fund. The department shall repay the loan by the end of the 1997 biennium with interest equal to rates earned by the short-term investment pool."

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DEPARTMENT OF ADMINISTRATION

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	327.51	(230.56)	(3.49)	93.46	(230.56)	(3.49)	93.46	93.46
Personal Services	10,961,687	(7,710,989)	1,354,557	4,605,255	(7,702,053)	(146,382)	3,113,252	7,718,507
Operating Expenses	26,943,107	(25,226,447)	200,000	1,916,660	(25,302,648)	0	1,640,459	3,557,119
Equipment	4,073,238	(4,054,722)	0	18,516	(4,026,890)	0	46,348	64,864
Capital Outlay	30,229	(30,229)	0	0	(30,229)	0	0	0
Local Assistance	7,466	0	0	7,466	0	0	7,466	14,932
Transfers	109,325	(50,524)	0	58,801	(50,524)	0	58,801	117,602
Debt Service	1,026,971	(1,026,971)	0	0	(1,026,971)	0	0	0
Total Costs	$43,152,023	($38,099,882)	$1,554,557	$6,606,698	($38,139,315)	($146,382)	$4,866,326	$11,473,024
Fund Sources								
General Fund	3,451,729	(192,575)	399,602	3,658,756	(223,877)	(101,057)	3,126,795	6,785,551
State/Other Special	1,481,443	(622,585)	(26,062)	832,796	(608,707)	(26,254)	846,482	1,679,278
Federal Special	16,792	9,074	191,477	217,343	8,543	(8,551)	16,784	234,127
Capital Projects	58,304	497	0	58,801	497	0	58,801	117,602
Proprietary	38,143,755	(37,294,293)	(10,460)	839,002	(37,315,771)	(10,520)	817,464	1,656,466
Expendable Trust	0	0	1,000,000	1,000,000	0	0	0	1,000,000
Total Funds	$43,152,023	($38,099,882)	$1,554,557	$6,606,698	($38,139,315)	($146,382)	$4,866,326	$11,473,024

Agency Description

The Department of Administration (DofA) provides centralized services for state agencies in the following areas: 1) accounting and financial reporting; 2) capitol complex building maintenance and security; 3) state bonded indebtedness administration; 4) state treasury services; 5) insurance coverage and Tort Claims Act administration; 6) systems development, telecommunications, and data processing; 7) personnel management and labor relations; 8) purchasing and surplus property administration; and 9) duplicating, mail, and messenger services. The department also administers the state Long Range Building program, state employee group benefits program, and the various state retirement systems. In addition, the Board of Examiners, State Tax Appeal Board, Public Employees' Retirement Board, and the Teachers' Retirement Board are attached to the department for administrative purposes only. In the 1997 biennium, the state warrant writing and bad debt management functions were transferred to the department from the State Auditor's office.

Reorganization

As a result of the passage of HB 563, the warrant writing and bad debt management functions, including 13.0 FTE per year and a net $1,912,742 over the biennium, were transferred to the Department of Administration from the State Auditor's office. Prior to the transfer, warrant writing had 8.0 FTE, while bad debt management had 6.0 FTE. As a result of the transfer, 1.0 FTE in the warrant writing function was eliminated.

Summary of Legislative Action

The most significant action taken by the legislature was to eliminate $81,158,924 of proprietary funds over the 1997 biennium, including 235.48 FTE in fiscal 1996 and 240.48 FTE in fiscal 1997, due to passage of HB 576, which made it unnecessary for certain proprietary funds to be appropriated by the legislature. Table 1 summarizes what was removed from the budget due to HB 576.

Table 1
FTE and Funds Eliminated Due to HB 576

Division/Program or New Proposal	FTE 1996	Funds 1996	FTE 1997	Funds 1997
Accounting & Management Support Division				
Legal Unit	(1.83)	($97,074)	(1.83)	($97,617)
Procurement & Printing Division				
Publications & Graphics	(25.36)	(5,598,567)	(29.36)	(5,861,086)
Property & Supply	(19.35)	(4,323,319)	(19.35)	(4,366,923)
Fueling & Natural Gas	0.00	(230,351)	0.00	(242,212)
Print Shop Consolidation	(1.00)	(54,942)	(1.00)	(55,054)
Personal Services Reduction	2.00	77,893	2.00	82,203
Information Services Division				
Administration/PR & D	(28.14)	(1,514,199)	(28.14)	(1,453,144)
Central Computer Operations	(29.50)	(4,267,234)	(29.50)	(4,169,749)
Telecommunications - Voice	(13.00)	(6,247,404)	(13.00)	(6,170,113)
Telecommunications - Data/Video	(12.00)	(3,595,398)	(12.00)	(3,466,992)
Application Services	(33.00)	(1,556,392)	(33.00)	(1,564,390)
Emergency 911	(2.00)	(101,804)	(2.00)	(99,399)
Contract Programming Contingency	0.00	(200,000)	0.00	0
Capitol Complex/MDT Rewire	0.00	(224,000)	0.00	(224,000)
SummitNet Expansion	(2.00)	(994,760)	(2.00)	(954,440)
Enterprise Software	(2.00)	(70,708)	(2.00)	(70,959)
Interactive Video Multi-Point	(1.00)	(69,025)	(1.00)	(69,111)
Personal Services Reduction	1.00	229,879	1.00	231,742
General Services Division				
General Services	(19.00)	(3,585,498)	(19.00)	(3,740,680)
Emergency Repair Contingency	0.00	(100,000)	0.00	0
Major Maintenance	0.00	(693,000)	0.00	0
Personal Services Reduction	0.00	33,961	0.00	34,553
Warrant Writing & Bad Debt Management				
Bad Debt Management	(6.00)	(202,305)	(6.00)	(198,754)
Mail & Distribution Division				
Postal Processing	(12.23)	(3,060,992)	(12.23)	(3,134,488)
Mail Clerk Increase	(1.60)	(30,002)	(1.60)	(30,100)
State Personnel Division				
Payroll	(5.50)	(515,780)	(5.50)	(462,759)
Employee Benefits	(8.81)	(618,449)	(8.81)	(577,740)
Training	(3.16)	(226,529)	(3.16)	(226,811)
PPP System Modification	0.00	(150,000)	0.00	0
FSA Self Administration	0.00	0	(1.00)	(43,541)
Personal Services Reduction	0.00	30,146	0.00	30,146
Risk Management & Tort Defense Division				
Risk Management	(12.43)	(3,103,108)	(12.43)	(3,243,673)
Personal Services Reduction	0.43	22,470	0.43	22,658
TOTAL REMOVED DUE TO HB 576	(235.48)	($41,036,491)	(240.48)	($40,122,433)

Through passage of HB 563, the legislature transferred the warrant writing and bad debt management functions to the department from the State Auditor's office. Through passage of HB 552, the legislature changed the funding of these functions to proprietary funds, and the bad debt management function was then removed from the budget due to passage of HB 576.

The Appellate Defender program, which had been administratively attached to the department in previous biennia, became a separate agency. This is discussed further in the Appellate Defender narrative that follows this section.

The legislature reduced state agency budgets by $1,167,208 by reducing the rates charged by the Information Services Division (ISD) for computer processing and long distance services in fiscal 1997. This reduction from base year expenditures was accomplished by increasing the fiscal 1997 deflation rates applied to those cost categories.

Significant present law adjustments include the addition of 3.5 FTE and approximately $130,000 per year for the Architecture & Engineering program to address the workload increases associated with the 1997 biennium Long Range Building program, and eliminating equipment expenditures of over $2 million per year in the Information Services Division.

The major new proposal increases, prior to removal of funds due to HB 576, included the addition of $1.5 million in fiscal 1996 for a personal services contingency fund, the addition of almost $1 million per year for the SummitNet expansion in ISD, and an increase in the major maintenance budget in General Services by $694,000 in fiscal 1996.

Language

"The governor-elect program is appropriated necessary expenses, up to $50,000 from the general fund in fiscal year 1997, to implement the provisions of 2-15-221."

"Funds remaining in the capitol land grant account of the capital projects fund, after all other appropriations are met, are appropriated to the long-range building debt service fund for the payment of principal and interest on bond issues for public buildings at the capitol, not to exceed the annual debt service required on these bonds."

"The department of administration shall develop and submit cost recovery plans for payroll services, information services division services, mail messenger services, publications and graphics services, insurance premiums, general services rent, and the state funds cost allocation plan to the office of budget and program planning and the legislative fiscal analyst by June 1, 1996, for development of the 1999 biennium present law base. The office of budget and program planning shall, in consultation with the legislative fiscal analyst, develop guidelines for the form and content of agency cost recovery plans by May 1, 1996. The department shall develop its cost recovery plan and provide supporting documentation as specified in these guidelines. Agency cost recovery plans must include projected revenue and expenses by line of service and the projected fiscal yearend working capital balances for each applicable accounting entity, unless exempted in office of budget and program planning guidelines."

Other Legislation

House Bill 5 - This bill appropriates $8,245,040 over the biennium to the department for capital projects, including over $6.5 million for the capitol restoration project. For more information on the projects, see the narrative regarding HB 5 in the Long Range Building section in Volume II.

House Bill 15 - This bill appropriates $12,559,240 of bond proceeds from the capital projects fund for the capitol restoration project. For more information, see the Long Range Building section in Volume II.

House Bill 17 - This bill appropriates $30,000 general fund to the department for the State Personnel Division to make changes in the payroll/personnel/position (PPP) control system ($10,000) and conduct a salary survey ($20,000).

House Bill 20 - This bill appropriates general fund of $48,000 per year to the department to allow counties to withhold their costs for payment for the shipping and raising of headstones provided by Congress for veterans from the county treasurers' monthly remittances to the state treasurer.

House Bill 460 - This bill appropriates $20,000 general fund and $175,000 state special revenue to the department for the biennium for a task force to: a) examine Montana's telecommunications infrastructure; and b) make recommendations to the Governor and legislature to ensure the implementation of policies, practices, and statutes regarding access to advanced telecommunications services. The state special revenue funds consist of all payments, monetary contributions, gifts, and grants received by the task force.

House Bill 552 - This bill changed the warrant writing system to proprietary fund support. Previously, the warrant writing system had been funded with general fund and state special revenue funds.

House Bill 563 -This bill transferred the warrant writing and bad debt management functions to the Department of Administration from the State Auditor's office.

House Bill 576 - This bill, which eliminated the requirement that certain proprietary funds (internal service and enterprise types) be appropriated by the legislature, resulted in the removal of 235.48 FTE and $41,036,491 in fiscal 1996 and 240.48 FTE and $40,122,433 in fiscal 1997 from the budget.

House Bill 584 - This bill appropriates $1,450,000 to the department for the Law Enforcement Academy project. The funding is $950,000 from the Long Range Building program account and $500,000 from Lewis and Clark County.

6101 00 00000
DEPARTMENT OF ADMINISTRATION **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	327.51	327.44	93.46	(233.98)	331.44	93.46	(237.98)	(237.98)
Personal Services	10,961,687	13,130,468	4,605,255	(8,525,213)	13,263,823	3,113,252	(10,150,571)	(18,675,784)
Operating Expenses	26,943,107	31,031,789	1,916,660	(29,115,129)	30,672,843	1,640,459	(29,032,384)	(58,147,513)
Equipment	4,073,238	3,145,280	18,516	(3,126,764)	2,602,482	46,348	(2,556,134)	(5,682,898)
Capital Outlay	30,229	0	0	0	0	0	0	0
Local Assistance	7,466	7,466	7,466	0	7,466	7,466	0	0
Transfers	109,325	58,801	58,801	0	58,801	58,801	0	0
Debt Service	1,026,971	1,093,861	0	(1,093,861)	1,135,028	0	(1,135,028)	(2,228,889)
Total Costs	$43,152,023	$48,467,665	$6,606,698	($41,860,967)	$47,740,443	$4,866,326	($42,874,117)	($84,735,084)
Fund Sources								
General Fund	3,451,729	3,722,992	3,658,756	(64,236)	3,701,218	3,126,795	(574,423)	(638,659)
State/Other Special	1,481,443	742,412	832,796	90,384	755,548	846,482	90,934	181,318
Federal Special	16,792	946,918	217,343	(729,575)	646,851	16,784	(630,067)	(1,359,642)
Capital Projects	58,304	58,801	58,801	0	58,801	58,801	0	0
Proprietary	38,143,755	41,546,542	839,002	(40,707,540)	41,128,025	817,464	(40,310,561)	(81,018,101)
Expendable Trust	0	1,450,000	1,000,000	(450,000)	1,450,000	0	(1,450,000)	(1,900,000)
Total Funds	$43,152,023	$48,467,665	$6,606,698	($41,860,967)	$47,740,443	$4,866,326	($42,874,117)	($84,735,084)

Executive Budget Comparison

The major way in which the department budget differs from the executive is through the removal of over $81 million of proprietary funds over the biennium, including 235.48 FTE in fiscal 1996 and 240.48 in fiscal 1997. This action was taken by the legislature in response to passage of HB 576.

Prior to the HB 576 action, the legislature made the following other changes to the Executive Budget when establishing FTE and expenditure levels for department programs for the 1997 biennium.

The legislature did not fund two new proposals contained in the Executive Budget: 1) the capitol rewire new proposal, which was also budgeted in the Long Range Building program budget, for a proprietary fund savings of $400,000 over the biennium; and 2) the hearing devices/interpreter new proposal, for a savings of $28,250 general fund and $80,000 state special revenue over the biennium.

The legislature reduced the Executive Budget in a number of other areas: 1) a $2.5 million reduction to the personal services contingency new proposal, of which $600,000 is general fund and $1.9 million is other funds; 2) a $747,246 reduction to the SummitNet new proposal, which is the net of elimination of $1,359,150 federal funds and the addition of $611,904 proprietary funds; 3) a $118,000 proprietary fund reduction to contracted services in the General Services Division (GSD); 4) a $70,000 proprietary fund reduction to the ISD supply budget; and 5) elimination of fiscal 1996 funding for the flexible spending account (FSA) self-administration new proposal, for a proprietary fund savings of $41,264.

The above-mentioned reductions were partially offset by other legislative action: 1) a $211,000 proprietary fund increase to the major maintenance new proposal in the GSD; 2) the addition of 3.5 FTE and approximately $130,000 per year of state special revenue to the Architecture and Engineering program to address additional workload; 3) the addition of $20,000 proprietary funds for an actuary study in the Risk Management and Tort Defense Division; and 4) the addition of $4,015 for employee ethics rulemaking and brochure development.

6101 03 00000 DEPARTMENT OF ADMINISTRATION Program Summary			ACCOUNTING & MGMT SUPPORT PROG					
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	30.86	(3.58)	(2.36)	24.92	(3.58)	(2.36)	24.92	24.92
Personal Services	961,072	34,191	(64,133)	931,130	39,198	(64,413)	935,857	1,866,987
Operating Expenses	319,727	78,154	0	397,881	41,294	0	361,021	758,902
Equipment	2,644	(2,644)	0	0	(2,644)	0	0	0
Total Costs	$1,283,443	$109,701	($64,133)	$1,329,011	$77,848	($64,413)	$1,296,878	$2,625,889
Fund Sources								
General Fund	1,109,931	170,106	(55,610)	1,224,427	128,483	(55,862)	1,182,552	2,406,979
State/Other Special	0	15,000	0	15,000	25,000	0	25,000	40,000
Federal Special	16,792	9,074	(8,523)	17,343	8,543	(8,551)	16,784	34,127
Proprietary	156,720	(84,479)	0	72,241	(84,178)	0	72,542	144,783
Total Funds	$1,283,443	$109,701	($64,133)	$1,329,011	$77,848	($64,413)	$1,296,878	$2,625,889

Program Description

The Accounting and Management Support program was created in fiscal 1994, through the consolidation of the former Accounting and Management Support Division with the Director's Office. The new program consists of: 1) the Director's Office, which is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies; 2) the Legal Unit, which is no longer budgeted due to passage of HB 576 by the 1995 Legislature, but which provides legal services to agency and administratively attached programs; 3) the Accounting program, which maintains the Statewide Budgeting and Accounting System (SBAS), which establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, and prepares the state Comprehensive Annual Financial Report; and 4) the Management Support and Personnel program, which provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department. The data processing function administers all data processing functions of the department except those of the ISD.

Funding

The Accounting and Management Support program is funded with general fund, state special revenue, federal funds, and proprietary funds.

General fund supports the Director's Office and a portion of both the Accounting and Management Support and Personnel programs. However, a portion of these general fund costs are recovered through fees assessed under the State Fund Cost Allocation Plan (SFCAP) and deposited in the general fund.

State special revenue funds consist of fees paid to the Capital Finance Advisory Council (CFAC), which is administratively attached to the department, by agencies that issue bonds. The funds are used to pay the statewide financial advisor for services that cannot be attributed to a specific bond issue. Types of services purchased in the past include preparation and presentation of reports to the legislature and the CFAC, and general bond-related technical assistance. These fees have been collected since fiscal 1985 and deposited in an agency account (which does not require an appropriation), with expenditures from the account averaging $40,000 per biennium. The Legislative Auditor recommended that the funds be moved from the agency account to a state special revenue account, from which the agency will make expenditures on behalf of the CFAC.

Federal funds support administration of the Cash Management Improvement Act (CMIA) in the Accounting program. Proprietary funds are used to partially support the Management Support and Personnel program, and consist of

investment funds and data processing assessments paid by the retirement systems and non-general fund programs within the agency according to the number of personal computers within each program. These proprietary funds were not removed from the budget upon passage of HB 576, as the program they support does not derive its entire funding from fee and/or profit-based revenue.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$120,731	$126,232
2 Inflation/Deflation	(8,904)	(20,543)
3 Fixed Costs	23,910	(12,537)
Other Present Law Adjustments		
4 Systems Development & Computer Proc	$43,500	$43,500
5 Contracted Services	15,000	25,000
6 Budget Previously Abated Costs	14,581	14,581
7 Print/Publish	4,200	4,200
8 Equipment	(2,644)	(2,644)
9 Miscellaneous	(3,599)	(2,324)
10 HB 576 - Removal of Legal Unit	(97,074)	(97,617)
Total Present Law Adjustments	$109,701	$77,848

Present Law Adjustments

1) Personal Services - The legislature increased personal services by $120,731 in fiscal 1996 and $126,232 in fiscal 1997 to adjust for fiscal 1994 vacancy savings, increases in health insurance and other benefit costs, and annualization of the fiscal 1995 pay increase.

The legislature eliminated 1.75 FTE each year due to the net of: a) removal of 2.0 FTE associated with the Appellate Defender program, which were inadvertently left in the base budget although they are supported with statutorily appropriated funds; and b) addition of 0.25 FTE to administer the SFCAP and State Wide Cost Allocation Program (SWCAP).

In addition, the legislature eliminated 1.83 FTE and $86,540 in fiscal 1996 and $87,034 in fiscal 1997 in conjunction with removal of the Legal Unit from the budget due to passage of HB 576. The personal services associated with this elimination are included in adjustment number 10 below.

4) Systems Development and Computer Processing - The legislature added general fund of $43,500 per year for systems development and computer processing costs.

5) Contracted Services - The legislature added $15,000 in fiscal 1996 and $25,000 in fiscal 1997 for financial advisor services that are not attributable to specific bond issues.

6) Budget Previously Abated Costs - The legislature added general fund of $14,581 per year to account for expenditures associated with printing extra SBAS and microfiche copies for state agencies. These costs were previously absorbed by the program until state agencies reimbursed the costs. The switch to budgeting for those costs was in response to a legislative auditor recommendation.

7) Print/Publish - The legislature added general fund of $4,200 per year for printing and publication of the Consolidated Annual Financial Report (CAFR).

8) Equipment - The legislature reduced equipment by $2,644 general fund each year to equal the executive request for no equipment budget in the 1997 biennium.

10) HB 576 - Removal of Legal Unit - The legislature eliminated proprietary funding for the Legal Unit as a result of passage of HB 576, resulting in the removal of 1.83 FTE per year and $97,074 in fiscal 1996 and $97,617 in fiscal 1997.

The source of the proprietary funds that support the Legal Unit is fees paid by the retirement systems, ISD, the Architecture and Engineering program (A&E), and the General Services Division, for legal services rendered. The amount charged these programs is based on a time study of actual legal work performed for each function.

6101 03 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(2.36)	($55,610)	($64,133)	(2.36)	($55,862)	($64,413)
Totals	(2.36)	($55,610)	($64,133)	(2.36)	($55,862)	($64,413)

New Proposals

1) Personal Services Reduction - The legislature eliminated 2.36 FTE to generate savings of $64,133 in fiscal 1996 ($55,610 general fund and $8,523 federal funds) and $64,413 in fiscal 1997 ($55,862 general fund and $8,551 federal funds).

A 1.47 FTE reduction will be achieved through elimination of the following positions: a) a 0.89 FTE, grade 16 administrative officer; b) a 0.5 FTE, grade 15 position; and c) a 0.08, grade 15 accountant position. The other 0.89 FTE reduction will be made by reducing various positions.

6101 04 00000 DEPARTMENT OF ADMINISTRATION Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
ARCH & ENGINEERING PGM								
FTE	14.46	3.50	(0.46)	17.50	3.50	(0.46)	17.50	17.50
Personal Services	474,567	161,062	(26,062)	609,567	163,499	(26,254)	611,812	1,221,379
Operating Expenses	183,910	18,967	0	202,877	22,908	0	206,818	409,695
Equipment	6,843	(1,491)	0	5,352	(3,991)	0	2,852	8,204
Total Costs	$665,320	$178,538	($26,062)	$817,796	$182,416	($26,254)	$821,482	$1,639,278
Fund Sources								
State/Other Special	665,320	178,538	(26,062)	817,796	182,416	(26,254)	821,482	1,639,278
Total Funds	$665,320	$178,538	($26,062)	$817,796	$182,416	($26,254)	$821,482	$1,639,278

Program Description

The Architecture and Engineering program manages remodeling and construction of state buildings. Functions include overseeing the architect/engineer interview and selection process; planning both new and remodel projects; administering and coordinating plan reviews; administering contracts with architects, engineers, and contractors; advertising, bidding, and awarding construction contracts; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Funding

The program is funded from the long-range building cash account, which receives a portion of the cigarette tax, interest on investments, energy savings realized through state building retrofits, and supervisory fees that the program collects for assisting with projects other than those authorized as part of the Long Range Building program. A statutory appropriation (section 17-5-404, MCA) provides for the transfer of funds from the long-range building cash account to the state special revenue account.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$50,870	$52,925
2 Inflation/Deflation	3,334	4,342
3 Fixed Costs	(5,405)	(5,722)
Other Present Law Adjustments		
4 Equipment	($1,491)	($3,419)
5 Miscellaneous	846	2,847
6 1997 Biennium Long Range Bldg Prgm	130,384	131,443
Total Present Law Adjustments	$178,538	$182,416

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services due to fiscal 1994 vacancy savings, increases in insurance and other benefit costs, and annualization of the fiscal 1995 pay increase.

4) Equipment - The legislature eliminated $1,491 in fiscal 1996 and $3,419 in fiscal 1997 to equal the program request for replacement equipment, including a laser printer and fax machine in fiscal 1996 and another laser printer in fiscal 1997.

6) 1997 Biennium Long Range Building Program (LRBP) - The legislature added 3.5 FTE per year and $130,384 in fiscal 1996 and $131,443 in fiscal 1997 to address the workload increases generated by the 1997 biennium LRBP. Included in the addition are personal services of $110,192 in fiscal 1996 and $110,574 in fiscal 1997, and operating expenses amounting to $20,192 in fiscal 1996 and $20,869 in fiscal 1997.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(0.46)	$0	($26,062)	(0.46)	$0	($26,254)
Totals	(0.46)	$0	($26,062)	(0.46)	$0	($26,254)

New Proposals

1) Personal Services Reduction - The legislature approved a state special revenue fund reduction to be realized through elimination of a 0.46 FTE and vacancy savings.

Language

"Item 2b [1997 Biennium Long-Range Building Program] is contingent on passage and approval of House Bill No. 5 and at least two or more of the following bills: House Bill No. 15, 584, 585, 594, 595, or 603." (HB 5 and at least two of the bills were passed and approved.)

6101 06 00000
DEPARTMENT OF ADMINISTRATION **PROCUREMENT & PRINTING DIV.**
Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	55.17	(44.71)	(0.17)	10.29	(44.71)	(0.17)	10.29	10.29
Personal Services	1,603,883	(1,278,012)	(4,470)	321,401	(1,276,361)	(4,487)	323,035	644,436
Operating Expenses	7,741,824	(7,663,649)	0	78,175	(7,664,057)	0	77,767	155,942
Equipment	182,695	(175,195)	0	7,500	(172,695)	0	10,000	17,500
Capital Outlay	6,175	(6,175)	0	0	(6,175)	0	0	0
Debt Service	61,715	(61,715)	0	0	(61,715)	0	0	0
Total Costs	$9,596,292	($9,184,746)	($4,470)	$407,076	($9,181,003)	($4,487)	$410,802	$817,878
Fund Sources								
General Fund	379,509	32,037	(4,470)	407,076	35,780	(4,487)	410,802	817,878
Proprietary	9,216,783	(9,216,783)	0	0	(9,216,783)	0	0	0
Total Funds	$9,596,292	($9,184,746)	($4,470)	$407,076	($9,181,003)	($4,487)	$410,802	$817,878

Program Description

The Procurement and Printing Division has four functions that manage specific division activities: 1) the Publications and Graphics Bureau (P&G), which provides printing, duplicating, computerized typography, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies; 2) the Property and Supply Bureau (P&S), which purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property no longer needed by state agencies; 3) the Purchasing program, which manages centralized purchasing for state agencies by investigating possible sources for products, determining alternate product possibilities, preparing specifications, enforcing the terms and conditions outlined in purchase orders, and providing technical assistance to state agencies regarding purchasing laws; and 4) the Natural Gas & Fueling program, which administers the statewide fueling network for state agencies and participating local governments and purchases natural gas for state agencies and the university system.

Due to HB 576, which made it unnecessary to appropriate certain proprietary funds, only the Purchasing program budget (which is general fund supported) is included in the table above.

Funding

The Procurement and Printing Division is general fund supported, which provides funds for the Purchasing program.

Although no longer budgeted in the general appropriations act due to passage of HB 576, there are three other programs within this division that are proprietary fund supported: the Publications and Graphics Bureau, the Property and Supply Bureau, and the Natural Gas and Fueling program.

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services due to fiscal 1994 vacancy savings, increased insurance and other benefit costs, annualization of the fiscal 1995 pay increase, increased overtime, and personal services costs associated with the additional 4.0 FTE added in fiscal 1997 to meet the printing demands associated with the legislative session.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$70,964	$165,766
2 Inflation/Deflation	22,557	33,344
3 Fixed Costs	29,911	12,001
Other Present Law Adjustments		
4 Goods Purchased for Resale	$651,213	$922,903
5 Natural Gas Procurement	200,000	200,000
6 Travel	11,274	12,918
7 Equipment	(4,195)	(37,195)
8 Installment Purchases	(18,391)	(39,831)
9 Miscellaneous	4,138	19,312
10 HB 576 - Removal of Proprietary Funds	(10,152,237)	(10,470,221)
Total Present Law Adjustments	($9,184,766)	($9,181,003)

The legislature also eliminated 44.71 FTE in fiscal 1996 and 48.71 FTE in fiscal 1997 due to removing proprietary funded operations in this division from the budget. The fiscal 1997 FTE reduction is partially offset by the additional 4.0 FTE added in fiscal 1997 previously through a present law adjustment. This action also eliminated personal services of $1,348,976 in fiscal 1996 and $1,442,127 in fiscal 1997, which are included in the present law adjustment shown in number 10 below.

4) Goods Purchased for Resale - The legislature added proprietary funds for anticipated price and volume increases in: a) pass-through printing and photocopying services purchased through P&G; and b) supplies purchased through P&S.

5) Natural Gas Purchase - The legislature added proprietary funds of $200,000 per year to purchase storage gas for resale to state institutions and the university system.

6) Travel - The legislature added $11,274 in fiscal 1996 and $12,918 in fiscal 1997 for increased travel associated with the vehicle fueling program. While the majority of the increase is proprietary funds, general fund comprises $689 of the increase in fiscal 1996 and $820 of the fiscal 1997 increase.

7) Equipment - The legislature eliminated $4,195 in fiscal 1996 and $37,195 in fiscal 1997 to equal the division request for replacement equipment. General fund comprised $2,229 of the fiscal 1996 decrease, and $271 of the fiscal 1997 decrease.

8) Installment Purchases - The legislature reduced fiscal 1994 installment purchase expenditures by $18,391 in fiscal 1996 and $39,831 in fiscal 1997 to equal installment purchase requirements in the 1997 biennium.

10) HB 576 - Removal of Proprietary Funds - The legislature eliminated 44.71 FTE and present law proprietary funds of $10,152,237 in fiscal 1996 and 48.71 FTE and proprietary funds of $10,470,221 in fiscal 1997 due to passage of HB 576, which eliminated the requirement that certain proprietary funds be appropriated by the legislature. The funds and FTE eliminated were associated with P&G, P&S, and the Fueling & Natural Gas program.

Following is a summary of legislation action taken on each of the eliminated programs prior to removal from the general appropriations act, and details regarding the source of those programs' proprietary funds.

Publications and Graphics Bureau - Prior to removal from the budget, the legislature had authorized a present law budget of 25.36 FTE and proprietary funds of $5,598,567 in fiscal 1996 and 29.36 FTE and proprietary funds of $5,861,086 in fiscal 1997.

The proprietary funds supporting P&G are derived from fees charged to state agencies for duplicating, printing, and photocopy services. The rates charged for these services in the 1997 biennium are designed for break-even cost recovery of personnel, operating, and equipment purchases. A detailed listing of specific rates charged for these services is published in a rate schedule available at P&G.

Property and Supply Bureau - Prior to passage of HB 576, the legislature had authorized a present law budget of 19.35 FTE per year and proprietary funds of $4,323,319 in fiscal 1996 and $4,366,923 in fiscal 1997.

The proprietary funds supporting the P&S come from a mark-up on goods sold.

Fueling and Natural Gas Program - Prior to removal from the budget, the legislature had authorized a proprietary fund budget of $230,351 in fiscal 1996 and $242,212 in fiscal 1997 for this program. No FTE were authorized for this program.

The proprietary funds supporting the program come from the mark-up on the fuel and natural gas sold.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(0.17)	($4,470)	($4,470)	(0.17)	($4,487)	($4,487)
Totals	(0.17)	($4,470)	($4,470)	(0.17)	($4,487)	($4,487)

New Proposals

1) Personnel Services Reduction - The legislature eliminated 0.17 FTE, general fund supported administrative officer in the Purchasing program.

Prior to removal of proprietary funded operations due to passage of HB 576, the legislature had approved other new proposal items: a) the addition of 1.0 FTE and proprietary funds of approximately $55,000 per year to P&G; and b) additional personnel service reductions in P&S of 2.0 FTE and proprietary funds of $77,893 in fiscal 1996 and $82,203 in fiscal 1997 (which included vacancy savings of $12,060 in fiscal 1996 and $16,139 in fiscal 1997).

6101 07 00000 DEPARTMENT OF ADMINISTRATION Program Summary				INFORMATION SERVICES DIVISION				
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	117.64	(117.64)	0.00	0.00	(117.64)	0.00	0.00	0.00
Personal Services	4,615,475	(4,615,475)	0	0	(4,615,475)	0	0	0
Operating Expenses	9,515,167	(9,515,167)	200,000	200,000	(9,515,167)	0	0	200,000
Equipment	3,813,230	(3,813,230)	0	0	(3,813,230)	0	0	0
Capital Outlay	24,054	(24,054)	0	0	(24,054)	0	0	0
Debt Service	927,675	(927,675)	0	0	(927,675)	0	0	0
Total Costs	$18,895,601	($18,895,601)	$200,000	$200,000	($18,895,601)	$0	$0	$200,000
Fund Sources								
Federal Special	0	0	200,000	200,000	0	0	0	200,000
Proprietary	18,895,601	(18,895,601)	0	0	(18,895,601)	0	0	0
Total Funds	$18,895,601	($18,895,601)	$200,000	$200,000	($18,895,601)	$0	$0	$200,000

Program Description

The ISD manages central computer services and telecommunications services for state government. Central computing services include: 1) central mainframe computer processing; 2) shared statewide data communications network services accessing the central mainframe; 3) data processing planning, coordination, and review and approval of equipment and software acquisitions; 4) design, development, and continuous maintenance support of data processing applications; 5) data processing training; 6) microcomputer and office automation support and consultation; and 7) disaster recovery facilities for critical data processing applications. Telecommunications services include: 1) local and long distance telephone networking; 2) design and development of telephone equipment, networking applications, and other telecommunications needs; 3) management of the statewide 911 emergency telephone number program; and 4) radio frequency coordinating with local government.

Funding

The ISD's HB 2 budget is funded with federal funds that support the Public Safety Radio System new proposal. The remainder of the ISD budget was eliminated from the general appropriations act due to passage of HB 576, which made it unnecessary for certain proprietary funds to be appropriated by the legislature.

Prior to taking this division's proprietary funds off-budget, the legislature established FTE and expenditure levels for the 1997 biennium. Table 2 shows, by program, the levels established by the legislature.

Table 2
Information Services Division
1997 Biennium Funding

Fiscal 1996	Administration	Central Computer Operations	Telecommunications Voice	Telecommunications Data/Video	Application Services	Emergency 911	New Proposals	Total
FTE	28.14	29.50	13.00	12.00	33.00	2.00	4.00	121.64
Personal Services	$1,128,401	$1,133,765	$475,904	$499,123	$1,352,504	$88,020	($66,287)	$4,611,430
Operating	340,798	2,248,799	4,892,476	2,263,371	363,888	8,284	913,169	11,030,785
Equipment	45,000	704,260	578,450	390,000	40,000	5,500	437,732	2,200,942
Debt Service	0	180,410	300,574	442,904	0	0	44,000	967,888
Total Expenditures	$1,514,199	$4,267,234	$6,247,404	$3,595,398	$1,756,392	$101,804	$1,328,614	$18,811,045
Federal Funds	$0	$0	$0	$0	$0	$0	$200,000	$200,000
Proprietary Funds	1,514,199	4,267,234	6,247,404	3,595,398	1,756,392	101,804	1,128,614	18,611,045
Total Funds	$1,514,199	$4,267,234	$6,247,404	$3,595,398	$1,756,392	$101,804	$1,328,614	$18,811,045

Fiscal 1997	Administration	Central Computer Operations	Telecommunications Voice	Telecommunications Dota/Video	Application Services	Emergency 911	New Proposals	Total
FTE	28.14	29.50	13.00	12.00	33.00	2.00	4.00	121.64
Personal Services	$1,133,936	$1,138,329	$478,235	$502,175	$1,359,706	$88,338	($67,573)	$4,633,146
Operating	279,208	2,294,114	4,893,462	2,272,419	164,684	8,561	488,169	10,400,617
Equipment	40,000	273,175	578,450	390,000	40,000	2,500	622,172	1,946,297
Debt Service	0	464,131	219,966	302,398	0	0	44,000	1,030,495
Total Expenditures	$1,453,144	$4,169,749	$6,170,113	$3,466,992	$1,564,390	$99,399	$1,086,768	$18,010,555
Federal Funds	$0	$0	$0	$0	$0	$0		$0
Proprietary Funds	1,453,144	4,169,749	6,170,113	3,466,992	1,564,390	99,399	1,086,768	18,010,555
Total Funds	$1,453,144	$4,169,749	$6,170,113	$3,466,992	$1,564,390	$99,399	$1,086,768	$18,010,555

resent Law Adjustments

) Personal Services - The legislature added $62,242 in fiscal 1996 and $85,244 in fiscal 1997 due to fiscal 1994 acancy savings, the increased costs of health insurance and other benefits, and continuation of the fiscal 1995 pay lan increase.

) Contract Programming Contingency - The legislature added a $200,000 biennial appropriation in fiscal 1996 to urchase contract programming services when special expertise is needed or when workload exceeds what can be erformed by permanent staff.

) Contracted Services Instead of FTE - The legislature added $20,000 each year to contract with the private sector o provide personnel to fill-in for central computer operations staff who are absent due to illness, vacation, or training.

) Contracted Services - Novell Netware - The legislature added $119,000 each year to purchase the following from rivate vendors: a) technology assessments and technology training for the new state standards: Novell Netware and RACLE; b) statewide support for the conversion to Novell; and c) training on the Novell system for state agencies.

) Contract Programming Reduction - The legislature reduced base expenditures to eliminate funds paid out of the 995 biennium contract programming contingency appropriation in fiscal 1994 for contract programming services in iscal 1994.

) Supplies - The legislature added $30,000 per year to purchase sealer paper for in the recently acquired pressure ealer system and tape cartridges for the conversion from single direction tape data recording to bi-directional echnology.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$62,242	$85,244
2 Inflation/Deflation	6,005	8,887
3 Fixed Costs	88,202	25,253
Other Present Law Adjustments		
4 Contract Programming Contingency	$200,000	$0
5 Contracted Services Instead of FTE	20,000	20,000
6 Contracted Services - Novell Netware	119,000	119,000
7 Contract Programming Reduction	(46,890)	(46,890)
8 Supplies	30,000	30,000
9 Telephone Volume Increase	110,000	110,000
10 Rent	32,000	32,000
11 Equipment	(2,050,020)	(2,489,105)
12 Debt Service	(3,787)	58,820
13 Miscellaneous	20,078	74,977
14 HB 576 - Removal of Proprietary Funds	(17,482,431)	(16,923,787)
Total Present Law Adjustments	($18,895,601)	($18,895,601)

9) Telephone Volume Increase - The legislature added funding to support additional costs associated with the projected 5 percent growth in: a) new phone service; b) long distance minutes logged on the state telecommunications network; c) minutes of state agency utilization; and d) credit card calls.

10) Rent - The legislature added $32,000 per year to annualize six months of costs included in the base budget for a rental contract with a digital intercity provider.

11) Equipment - The legislature reduced base equipment expenditures by $2,050,020 in fiscal 1996 and $2,489,105 in fiscal 1997 to equal the division request for replacement equipment. In fiscal 1994, the division purchased a significant amount of equipment and paid for it outright instead of financing it due to the availability of cash reserves.

12) Debt Service - The legislature reduced fiscal 1994 debt service expenditures by $3,787 in fiscal 1996 and increased them by $58,820 in fiscal 1997 to equal the 1997 biennium debt service obligations.

14) HB 576 - Removal of Proprietary Funds - The legislature reduced the division's present law budget by 117.64 FTE per year and proprietary funds of $17,482,431 in fiscal 1996 and $16,923,787 in fiscal 1997 due to passage of HB 576.

The source of the proprietary funds that support each of the programs removed from the budget is described below.

Administration - This program is supported through assessments levied against other division programs.

Central Computer Operations - This program is supported by charges to state agencies for mainframe processing and related services such as printing of computer reports, disk and tape storage, and data entry services.

Mainframe computer processing charges for the 1997 biennium decrease from fiscal 1994 charges by 10 percent in fiscal 1996 and 23 percent in fiscal 1997. The legislature reduced the fiscal 1997 charges by 11 percent from what was contained in the Executive Budget, through the addition of more deflation to that cost category in agency budgets. This action resulted in a reduction to state agency budgets of $757,443, of which approximately $303,000 came from general fund sources.

Telecommunications Bureau - The voice and data/video telecommunications functions shown in separate columns on Table 2 have been combined into one program through reorganization. The program is supported with payments from state agencies and other users for the use of the state phone and multi-point video systems, and fixed data network fees included in state agency budgets.

The legislature reduced the fiscal 1997 per minute long distance charge by 13 percent from what was contained in the Executive Budget, through the addition of more deflation to that cost category in agency budgets. This action resulted in a reduction to state agency budgets of $408,765, of which approximately $164,000 came from general fund sources.

Data network services are funded through state agency payments, collected through a fixed cost included in their budgets. The rate for data network services for: a) intelligent devices is reduced by 10 percent from the fiscal 1994 level to $36.00 per device per month; and b) other devices stays the same as the fiscal 1994 level of $30.00 per device per month.

Application Services - This function is supported with fees charged to state agencies for contract programming, software training, and other support services. The 1997 biennium rate for systems development services increases by 8 percent over the fiscal 1994 level to $42.00 per hour.

Emergency 911 - This program is funded through a portion of the 25 cent monthly fee assessed all telephone subscribers in the state.

6101 07 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Public Safety Radio System	0.00	$0	$200,000	0.00	$0	$0
Totals	0.00	$0	$200,000	0.00	$0	$0

New Proposals

1) Public Safety Radio System - The legislature added $200,000 of federal funds in fiscal 1996 to hire a consultant to study existing state and local public safety radio systems and provide a technical design for a shared radio network.

Only the Public Safety Radio System new proposal is reflected on the table above, as it is the only new proposal approved by the legislature that is not proprietary fund supported. Prior to the passage of HB 576, the legislature approved five other new proposals adding a net 4.0 FTE per year and proprietary funds of $1,128,614 in fiscal 1996 and $1,086,768 in fiscal 1997. The new proposals removed from the budget due to HB 576 are as follows:

a) Capitol/MDT Complex Rewire - The legislature approved the addition of $224,000 each year to rewire the capitol and the Montana Department of Transportation (MDT) complexes (excluding the capitol building), in order to upgrade the communications wire plants to support voice, video, and data requirements.

b) SummitNet Expansion - The legislature approved the addition of 2.0 FTE and proprietary funds of $994,760 in fiscal 1996 and $954,440 in fiscal 1997 to expand the state's telecommunications infrastructure through enhancements to facilitate use of one data network throughout the state.

c) Enterprise Software - The legislature approved the addition of 2.0 FTE and proprietary funds of $70,708 in fiscal 1996 and $70,959 in fiscal 1997 to provide centralized technical support and management for the standard enterprise database (ORACLE) and network operating system software (Novell Netware).

d) Interactive Video Multi-Point - The legislature approved the addition of 1.0 FTE and proprietary funds of $69,025 in fiscal 1996 and $69,111 in fiscal 1997 to expand the state's capability for multi-point video conferencing.

e) Personal Services Reductions - The legislature approved the reduction of personal services by $229,879 in fiscal 1996 and $231,742 in fiscal 1997 through elimination of 1.0 FTE and application of a 4.3 percent vacancy savings rate.

Language

"The information services division shall actively pursue federal funding for the SummitNet project. If federal funds become available in the 1997 biennium, the department is authorized to seek a budget amendment to allow expenditure of those funds and shall reduce its proprietary fund appropriation accordingly."

6101 08 00000

DEPARTMENT OF ADMINISTRATION **GENERAL SERVICES PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	19.00	(19.00)	0.00	0.00	(19.00)	0.00	0.00	0.00
Personal Services	669,334	(669,334)	0	0	(669,334)	0	0	0
Operating Expenses	3,193,769	(2,943,842)	0	249,927	(2,937,623)	0	256,146	506,073
Equipment	5,624	(5,624)	0	0	(5,624)	0	0	0
Transfers	86,354	(27,553)	0	58,801	(27,553)	0	58,801	117,602
Total Costs	$3,955,081	($3,646,353)	$0	$308,728	($3,640,134)	$0	$314,947	$623,675
Fund Sources								
General Fund	349,707	(99,780)	0	249,927	(93,561)	0	256,146	506,073
Capital Projects	58,304	497	0	58,801	497	0	58,801	117,602
Proprietary	3,547,070	(3,547,070)	0	0	(3,547,070)	0	0	0
Total Funds	$3,955,081	($3,646,353)	$0	$308,728	($3,640,134)	$0	$314,947	$623,675

Program Description

The General Services Division manages repair and maintenance services for state agencies in the capitol complex and several state-owned buildings in the Helena area (section 2-17-111, MCA). The program also provides locksmith services, painting, remodeling, and construction services. The program supervises contracts for services for state-owned buildings, including mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection.

Funding

The proprietary funds that support the actual operations of the GSD were removed from the budget due to passage of HB 576.

The portion of GSD that remains budgeted is funded with general fund and capitol land grant funds. Both the general fund and capitol land grant funds are moved to the division's proprietary fund. The general fund is paid to the proprietary fund as rent, and the capitol land grant funds are transferred to the proprietary fund.

Capitol land grant funds are appropriated to the department to support capitol building maintenance projects, which are prioritized and approved by the department director.

General fund is appropriated to the program in lieu of charging agencies for routine maintenance of common areas in the capitol complex, such as legislative space in the capitol, museum space at the historical society, and the Governor's mansion. In the 1997 biennium, the common area share of GSD's budget has been reduced to approximately 6.5 percent of program operating expenses (less the $100,000 biennial contingency appropriation for emergency repairs or modifications). This is a decrease in general fund support of the program, which has historically been set at 12 percent of program operating expenses.

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services for fiscal 1994 vacancy savings and the fiscal 1995 pay plan increase.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$2,226	$5,325
2 Inflation/Deflation	85,317	133,672
3 Fixed Costs	(108,273)	(105,444)
Other Present Law Adjustments		
4 Contracted Services	$30,717	$125,218
5 Utilities	70,802	86,348
6 Repair and Maintenance	(88,239)	(188,239)
7 Accounting Entity Transfers	(27,553)	(27,553)
8 Increased Fire District Assessment	60,000	60,000
9 Miscellaneous	14,148	11,219
10 HB 576 - Removal of Proprietary Funds	(3,685,498)	(3,740,680)
Total Present Law Adjustments	($3,646,353)	($3,640,134)

3) Fixed Costs - The legislature reduced fixed costs by $108,273 in fiscal 1996 and $105,444 in fiscal 1997. However, the majority of the reduction is associated with the policy change that reduced the amount of general fund supporting the common area in the 1997 biennium, because those funds are paid into the proprietary account through the fixed cost rent category. The general fund support of the common area decreases from 12 to 6.5 percent of the division's operating budget in the 1997 biennium, and the fixed cost reduction is related to this change.

4) Contracted Services - The legislature added $30,717 in fiscal 1996 and $125,218 in fiscal 1997 to fund inflationary increases in negotiated contracts with various service vendors.

5) Utilities - The legislature added $70,802 in fiscal 1996 and $86,348 in fiscal 1997 to support the increased cost of garbage removal, water, and sewer services.

6) Repair and Maintenance - The legislature reduced repair and maintenance costs by $88,239 in fiscal 1996 and $188,239 in fiscal 1997 to equal the agency present law repair and maintenance budget request of $120,618 per year. The fiscal 1996 reduction is less than the fiscal 1997 reduction because fiscal 1996 includes a $100,000 biennial contingency appropriation for emergency repairs on the capitol complex.

7) Accounting Entity Transfers - The legislature reduced accounting entity transfers by $27,553 each year to equal the amount of capitol land grant funds to be transferred to the proprietary account in the 1997 biennium.

8) Increased Fire District Assessment - The legislature added $60,000 per year for increased fire district assessments implemented in fiscal 1995.

10) HB 576 - Removal of Proprietary Funds - All present law proprietary fund support of the GSD was taken off budget as a result of passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature. However, the legislature did establish FTE and expenditure levels for the program prior to removing the proprietary funded operations from the budget: 19.0 FTE per year and expenditures of $4,653,265 in fiscal 1996 and $4,021,074 in fiscal 1997.

The proprietary funds that support the GSD are derived from two places: the movement of the general fund and capitol land grant funds to the proprietary account, as discussed in the "Funding" section; and rent assessments paid by state agencies according to the fixed cost amounts included in their budgets. For the 1997 biennium, the rental rate for office space is: a) $4.24 per square foot in fiscal 1996, which is a 24 percent increase over the fiscal 1994 rate; and b) $4.37 per square foot in fiscal 1997, which is a 26 percent increase over the fiscal 1994 rate. The 1997 biennium rental rate for warehouse space is $2.22 per square foot, which is equal to the rate charged in fiscal 1994.

The reason for the increase in office space rental rates is to allow GSD to begin charging federal and other non-general fund supported programs for the cost of major maintenance at the capitol complex. In previous biennia, major maintenance has been funded through the Long Range Building program out of cigarette tax revenue.

New Proposals

Although the program table above shows no new proposals for the GSD in the 1997 biennium, that is the result of taking the division's proprietary funds off-budget due to passage of HB 576. Prior to this action, the legislature had approved two new proposals:

1) Capitol Complex Major Maintenance - The legislature added a biennial appropriation of $693,000 for major maintenance and repairs to the capitol complex such as roofing, window replacement, and parking lots. In previous biennia, major maintenance costs were paid out of the Long Range Building program's cigarette tax revenue.

2) Personnel Services Reduction - The legislature reduced personal services by $33,961 in fiscal 1996 and $34,553 in fiscal 1997 through implementation of a 5 percent vacancy savings rate each year.

Language

"The general fund money appropriated for the general services program is intended for transfer into the general services proprietary account. The present law base in subsequent bienniums must include general fund money at 6.5% of program operating expenses."

"The general services division is authorized to build a new parking lot west of the Scott Hart building."

6101 10 00000

DEPARTMENT OF ADMINISTRATION — WARRANT WRITING

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	14.00	(7.00)	0.00	7.00	(7.00)	0.00	7.00	7.00
Personal Services	333,997	(161,215)	(10,460)	162,322	(165,821)	(10,520)	157,656	319,978
Operating Expenses	547,607	56,382	0	603,989	9,853	0	557,460	1,161,449
Equipment	18,288	(17,838)	0	450	11,518	0	29,806	30,256
Total Costs	$899,892	($122,671)	($10,460)	$766,761	($144,450)	($10,520)	$744,922	$1,511,683
Fund Sources								
General Fund	209,282	(209,282)	0	0	(209,282)	0	0	0
State/Other Special	513,670	(513,670)	0	0	(513,670)	0	0	0
Proprietary	176,940	600,281	(10,460)	766,761	578,502	(10,520)	744,922	1,511,683
Total Funds	$899,892	($122,671)	($10,460)	$766,761	($144,450)	($10,520)	$744,922	$1,511,683

Program Description

The Warrant Writing program is responsible for the issuance, control, and recording of claims and warrant payments for the state of Montana. The program is also responsible for collecting and recording bad debts for the state, through the Bad Debt Management program, which was removed from HB 2 due to the passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature.

In the 1997 biennium, the Warrant Writer and Bad Debt Management programs were transferred to the Department of Administration from the State Auditor's Office as a result of the passage of HB 563.

Funding

Warrant Writing

The proprietary funds shown on the main table above support the Warrant Writing program. Although these funds meet the criteria established in HB 576 for removal from the budget, they remain budgeted due to a technical oversight.

House Bill 552, passed by the 1995 legislature, changed the way the Warrant Writing program is funded. In the previous biennium, the program was funded with general fund and state special revenue. Now, the program is funded from a proprietary account that receives revenue from fees charged to all state agencies for their actual usage of the warrant writing system. Agencies will be charged according to the type of "payment option" used to transmit the funds contained in the warrant to the recipient. As Table 3 shows, there is now an incentive for agencies to use less costly payment options.

Table 3
Payment Option Fees
1997 Biennium

Type of Payment Option	Fiscal 1996 Fee	Fiscal 1997 Fee
Duplicate Warrants	$10.9993	$10.9959
Emergency Warrants	5.3790	5.3756
Mailers - Postage Paid	0.5631	0.5544
Mailers - No Postage	0.2471	0.2384
Non-Mailers	0.2329	0.2242
External/SRS/Payroll	0.2091	0.2004
External/University	0.1970	0.1883
Direct Deposit	0.1448	0.1216

Bad Debt Management

Although the Bad Debt Management program funding is not shown on the main table above because of removal from budget due to passage of HB 576, it is also a part of the Warrant Writing program. The bad debt management function is supported through a percentage of the amount of bad debts collected.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$42,726	$43,889
2 Inflation/Deflation	16,664	15,811
3 Fixed Costs	23,708	(3,258)
Other Present Law Adjustments		
4 Contracted Services	$4,638	$4,638
5 Communications	23,040	36,358
6 Other Expenses	(4,528)	(4,528)
7 Equipment	(17,838)	11,518
8 HB 576 - Removal of Proprietary Funds	(211,081)	(248,878)
Total Present Law Adjustments	($122,671)	($144,450)

Present Law Adjustments

1) Personal Services - The increase is primarily due to the 1995 pay plan ($4,175), vacancy savings, salary increases, upgrades, and increases in benefits and insurance costs.

4) Contracted Services - The legislature approved a $4,638 increase each year of the biennium, with $4,473 of the increase for system development from ISD.

5) Communications - The legislature approved a $23,040 increase in fiscal 1996 and $36,358 increase in fiscal 1997 for postage and mailing.

7) Equipment - The legislature approved a decrease of $17,838 in fiscal 1996 and an increase of $11,518 in fiscal 1997 from fiscal 1994 expenditures. The $29,806 requested in fiscal 1997 is for replacement of warrant writer equipment.

8) HB 576 - Removal of Proprietary Funds - The legislature eliminated the funding for the Bad Debt Management program due to passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the

legislature. This accounted for a present law reduction of 6.0 FTE and proprietary funds of $210,681 in fiscal 1996 and $207,178 in fiscal 1997.

The remainder of the present law proprietary fund reduction (1.0 FTE and $400 in fiscal 1996 and $41,700 in fiscal 1997) is due to the elimination of the 1.0 FTE division administrator, supported with warrant writing funds, upon transfer of the program to the Department of Administration.

6101 10 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	0.00	$0	($10,460)	0.00	$0	($10,520)
Totals	0.00	$0	($10,460)	0.00	$0	($10,520)

New Proposals

1) Personal Services Reduction - The legislature approved reducing personal services by $10,460 in fiscal 1996 and $10,520 in fiscal 1997 through implementation of vacancy savings in the Warrant Writing program.

Prior to removal of the Bad Debt Management program from the budget due to passage of HB 576, the legislature had approved additional vacancy savings in that program for proprietary fund savings of $8,376 in fiscal 1996 and $8,424 in fiscal 1997.

6101 13 00000
DEPARTMENT OF ADMINISTRATION **MAIL & DISTRIBUTION BUREAU**
Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	12.23	(12.23)	0.00	0.00	(12.23)	0.00	0.00	0.00
Personal Services	287,152	(287,152)	0	0	(287,152)	0	0	0
Operating Expenses	2,225,321	(2,225,321)	0	0	(2,225,321)	0	0	0
Equipment	21,632	(21,632)	0	0	(21,632)	0	0	0
Debt Service	36,866	(36,866)	0	0	(36,866)	0	0	0
Total Costs	$2,570,971	($2,570,971)	$0	$0	($2,570,971)	$0	$0	$0
Fund Sources								
Proprietary	2,570,971	(2,570,971)	0	0	(2,570,971)	0	0	0
Total Funds	$2,570,971	($2,570,971)	$0	$0	($2,570,971)	$0	$0	$0

Program Description

The Mail and Distribution Bureau, which manages central mail service for state agencies (section 2-17-301, MCA), is no longer budgeted in the general appropriations act due to passage of HB 576 by the 1995 legislature. The program also manages the post office in the capitol building.

Funding

The Mail and Distribution Bureau is supported entirely with proprietary funds.

House Bill 576

Removal of Proprietary Funds - All proprietary funding for this program was taken off budget as a result of the passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature.

The Mail and Distribution Bureau is supported through a number of sources: a) fixed fees assessed state agencies for sorting and delivery of internal (deadhead) mail; b) federal funds from the United States Postal Service (USPS) for operation of the capitol post office; c) postage and shipping costs from state agencies and public users of the capitol post office; d) administrative fees charged state agencies to cover costs of processing outgoing mail; and e) refunds from the USPS for qualifying mail.

In action prior to passage of HB 576, the legislature had appropriated total expenditures of $3,090,994 in fiscal 1996 and $3,164,588 in fiscal 1997, which included 13.83 FTE.

Performance-Based Budgeting (PBB) Pilot Project - The Mail and Distribution Bureau is one of the programs participating in the PBB pilot project during the 1997 biennium. The PBB pilot project was endorsed by the 1993 legislature through language in HB 2 that: a) encouraged the governor to foster development of a mission-driven, results-oriented budget system to enhance flexibility and improve decision making information available to the 1995 legislature; and b) specified four departments, including the Mail and Distribution Bureau in the DofA, that would be involved in the PBB project designed by the executive branch.

The purpose of the PBB pilot program is to try a new method of budgeting that holds agencies accountable not only for what they spend, but for what they accomplish. The complete text of the Mail and Distribution Bureau's goals and performance targets is shown on Table 4.

Language

"The department shall provide semiannual reports to the Office of Budget and Program Planning and the Legislative Fiscal Analyst on progress towards achievement of the central mail program performance targets, as outlined in the legislative appropriations report for the 1997 biennium, with explanations for any significant variances."

The goals and performance targets the program is to work toward achieving in the 1997 biennium are as shown on Table 4 below.

Table 4
Mail & Distribution Bureau Goals and Performance Targets
1997 Biennium

GOAL	PERFORMANCE TARGETS
#1 - Maximize cost effectiveness of central mail processing for customer state agencies.	- Maintain aggregate overhead to postage ratio of 10.2 percent. - Maintain deadhead rates at $0.21 per piece. - Increase program cash balance by $10,000 per year. - Increase ratio of automated to non-automated mail by 10 percent per year over biennium. - Increase total discounts in the value-added refund program by 5 percent per year over biennium.
#2 - Consistently achieve a high degree of customer satisfaction with the timeliness and quality of mail processing service.	- Percent of quarterly mail test samples must meet following delivery standards (percent to be determined): Incoming mail delivered same day as received from USPS. Deadhead mail delivered within 24 hours of central mail pickup. Outgoing mail delivered to USPS same day delivered to central mail unless hold requested by customer - Customer satisfaction ratings from survey done two times per year must meet acceptable service levels. (acceptable standards to be determined)

6101 23 00000 **DEPARTMENT OF ADMINISTRATION** Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
STATE PERSONNEL DIVISION								
FTE	41.22	(17.47)	(0.50)	23.25	(17.47)	(0.50)	23.25	23.25
Personal Services	1,288,969	(505,717)	1,466,894	2,250,146	(502,352)	(33,533)	753,084	3,003,230
Operating Expenses	701,811	(576,640)	0	125,171	(580,227)	0	121,584	246,755
Equipment	4,500	714	0	5,214	(810)	0	3,690	8,904
Debt Service	715	(715)	0	0	(715)	0	0	0
Total Costs	$1,995,995	($1,082,358)	$1,466,894	$2,380,531	($1,084,104)	($33,533)	$878,358	$3,258,889
Fund Sources								
General Fund	1,012,451	(98,814)	466,894	1,380,531	(100,560)	(33,533)	878,358	2,258,889
State/Other Special	302,453	(302,453)	0	0	(302,453)	0	0	0
Proprietary	681,091	(681,091)	0	0	(681,091)	0	0	0
Expendable Trust	0	0	1,000,000	1,000,000	0	0	0	1,000,000
Total Funds	$1,995,995	($1,082,358)	$1,466,894	$2,380,531	($1,084,104)	($33,533)	$878,358	$3,258,889

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration including: position classification, collective bargaining and labor relations, group benefits plans, compensation plan and rules, deferred compensation, training, employee incentive awards, sick leave fund, equal employment and affirmative action, and health education. The division publishes state rules and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, affirmative action, and other personnel matters. The division also prepares and distributes payroll for all state employees and maintains the state PPP system.

Funding

Programs supported by proprietary funds -- State Payroll, Training, and most of Employee Benefits -- have been taken off budget as a result of the passage of HB 576. The portion of the State Personnel Division that remains budgeted in the general appropriations act is funded with general fund and expendable trust funds. General fund supports the Personnel Administration program, a portion of an FTE in the Employee Benefits program, and part of the personal services contingency new proposal. Expendable trust funds support the remainder of the personal services contingency new proposal, and consist of all other fund types.

Prior to passage of HB 576, the legislature had reviewed the division's FTE and expenditure levels and made the recommendations shown on Table 5 for all programs within the division.

Table 5
State Personnel Division Funding

Fiscal 1996

	Personnel Admin	State Payroll	Employee Benefits	Training	New Proposals	Total
General Fund	$899,098	$0	$14,539	$0	$466,894	$1,380,531
State Special Revenue	0	0	0	0	0	0
Proprietary Funds	0	515,780	618,449	226,529	119,854	1,480,612
Expendable Trust Funds	0	0	0	0	1,000,000	1,000,000
Total	$899,098	$515,780	$632,988	$226,529	$1,586,748	$3,861,143

Fiscal 1997

	Personnel Admin	State Payroll	Employee Benefits	Training	New Proposals	Total
General Fund	$897,299	$0	$14,592	$0	($33,533)	$878,358
State Special Revenue	0	0	0	0	0	0
Proprietary Funds	0	462,759	577,740	226,811	13,395	1,280,705
Expendable Trust Funds	0	0	0	0	0	0
Total	$897,299	$462,759	$592,332	$226,811	($20,138)	$2,159,063

Personnel Administration Program - The Personnel Administration program is supported with general fund. However, non-general fund agencies are assessed a fee through the SFCAP, that is deposited to the general fund to help defray costs of the administration and policy, classification, and labor relations functions. In the 1997 biennium, SFCAP assessments amounting to $190,877 in fiscal 1996 and $197,745 in fiscal 1997 will be deposited in the general fund as partial recovery of these costs. The allocation of assessments is based on usage per different units of measurement, which are available for review upon request.

State Payroll - The State Payroll program is funded through proprietary funds collected from all state agencies according to the projected number of employees that will be paid in the 1997 biennium, based on fiscal 1993 and 1994 numbers. In previous biennia, State Payroll costs were not charged to all agencies. Instead, only agencies with non-general fund employee costs were charged a fee, which was deposited to a state special revenue account. A direct general fund appropriation supported the remainder of program costs.

Employee Benefits - This program is funded with general fund and proprietary funds. General fund supports two partial positions totalling 0.45 FTE, and administration of the sick leave fund and incentive award program. Remaining funds are proprietary funds derived from interest earnings on the state health self-insurance program funds.

Training - This program is funded through fees paid for receipt of services.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$79,537	$85,905
2 Inflation/Deflation	(11,199)	(28,785)
3 Fixed Costs	42,036	19,524
Other Present Law Adjustments		
4 Contracted Services	$55,000	$36,000
5 System Development	26,000	26,000
6 Computer Processing and Printing	56,040	56,040
7 Equipment	8,834	6,124
8 Miscellaneous	18,137	(17,602)
9 HB 576 - Removal of Proprietary Funds	(1,356,743)	(1,267,310)
Total Present Law Adjustments	($1,082,358)	($1,084,104)

Present Law Adjustments

1) Personal Services - The legislature adjusted personal services for vacancy savings experienced in fiscal 1994, increases in health insurance and other benefit costs, and continuation of the fiscal 1995 pay plan increase.

4) Contracted Services - The legislature added $55,000 in fiscal 1996 and $36,000 in fiscal 1997 for actuarial and consultant services for the self insured health and dental plans, and the re-bidding of the deferred compensation contract.

5) System Development Costs - The legislature added $26,000 per year for system development costs associated the PPP, payroll, and insurance systems.

6) Computer Processing and Printing - The legislature added $56,040 per year for additional computer processing and printing costs associated with the new on-line employee benefits computer system.

7) Equipment - The legislature added $8,834 in fiscal 1996 and $6,124 in fiscal 1997 to equal the agency request for replacement equipment including computers, printers, and office and educational equipment.

9) HB 576 - Removal of Proprietary Funds - All proprietary funded operations in this division, including all of State Payroll and Training, and most of Employee Benefits, have been removed from the budget due to passage of HB 576, which made it unnecessary for certain proprietary funds to be appropriated by the legislature. The legislature eliminated 17.47 FTE and proprietary funds of $1,356,743 in fiscal 1996 and $1,267,310 in fiscal 1997 from the present law budget due to this action.

For an explanation of how the proprietary funds that support division programs are generated, see the preceding "Funding" section.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(0.50)	($33,106)	($33,106)	(0.50)	($33,533)	($33,533)
2 Personal Services Contingency	0.00	500,000	1,500,000	0.00	0	0
Totals	(0.50)	$466,894	$1,466,894	(0.50)	($33,533)	($33,533)

New Proposals

1) Personal Services Reduction - The legislature reduced general fund supported personal services by $33,106 in fiscal 1996 and $33,533 in fiscal 1997 through elimination of a 0.5 FTE and vacancy savings.

2) Personal Services Contingency - The legislature added a $1.5 million personal services contingency fund for the Office of Budget and Program Planning to allocate to agencies that do not experience sufficient turnover to fully fund personal services in the 1997 biennium. The funds added are $500,000 general fund and $1 million other funds. The contingency fund appropriation is a one-time only, biennial, restricted appropriation.

Prior to passage of HB 576, the legislature had also approved other new proposals, which would have added $119,854 in fiscal 1996 and 1.0 FTE and $13,395 in fiscal 1997

Flexible Spending Account (FSA) Self-Administration - The legislature added 1.0 FTE and $43,541 in fiscal 1997 to self-administer the FSA program, in the event that the department determines that self-administration is more cost effective than continuing the current contract with Blue Cross and Blue Shield of Montana which expires in September 1995.

PPP System Modifications - The legislature added a one-time only, biennial appropriation of $150,000 to modify the PPP system.

Personal Services Reduction - The legislature removed $30,146 per year for vacancy savings.

Language

"Funding to support self-administration of flexible spending accounts is contingent on the department's determination that self-administration is more cost-effective than contracting with the current provider."

"Item 6a [Personal Services Contingency] contains biennial appropriations that the department and the office of budget and program planning may allocate to agencies (except the Montana university system), subject to the process described below, for personal services if the agencies did not experience normal turnover in an amount necessary to provide full funding for personal services. In allocating the personal services contingency funds, priority shall be given to small agencies. Amounts may be adjusted among fund types, excluding general fund, which may not be adjusted. Any agency requesting an allocation of these funds shall document in its request to the budget director that projected personal services expenditures will exceed program appropriations for personal services and the reasons for the deficit, and shall certify that no other budget authority in the agency is available. The office of budget and program planning shall provide an annual report to the legislative finance committee documenting all allocations of these personal services contingency funds."

"Item 6b [Employee Ethics Rulemaking and Brochure] is contingent on passage and approval of Senate Bill No. 136." (SB 136 has been passed and approved.)

6101 24 00000

DEPARTMENT OF ADMINISTRATION **RISK MANAGEMENT & TORT DEFENSE**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	12.43	(12.43)	0.00	0.00	(12.43)	0.00	0.00	0.00
Personal Services	405,671	(405,671)	0	0	(405,671)	0	0	0
Operating Expenses	2,453,615	(2,453,615)	0	0	(2,453,615)	0	0	0
Equipment	16,322	(16,322)	0	0	(16,322)	0	0	0
Transfers	22,971	(22,971)	0	0	(22,971)	0	0	0
Total Costs	$2,898,579	($2,898,579)	$0	$0	($2,898,579)	$0	$0	$0
Fund Sources								
Proprietary	2,898,579	(2,898,579)	0	0	(2,898,579)	0	0	0
Total Funds	$2,898,579	($2,898,579)	$0	$0	($2,898,579)	$0	$0	$0

Program Description

The Risk Management and Tort Defense Division (RMTD) provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers, and employees of the State of Montana. The division also assesses the fire, casualty, bond, and liability risks of the state for all state-owned buildings, equipment, automobiles, fixtures, boilers, aircraft, cash, and securities, and provides either commercial or self-insurance protection for the financial loss of such property (Article II, Section 18, Constitution of Montana, and Title 2, Chapter 9, Parts 1 through 3, MCA).

Funding

This program is funded with proprietary funds derived from insurance premiums paid by state agencies.

House Bill 576

Removal of Proprietary Funds - This proprietary funded program was taken off budget as a result of the passage of HB 576, which eliminated the need for certain proprietary funds to be appropriated by the legislature. Prior to its removal, the legislature had established the program FTE and expenditure levels at 12.0 FTE per year and $3,080,638 in fiscal 1996 and $3,221,015 in fiscal 1997, which is the net of the present law budget less new proposals.

The Risk Management and Tort Defense Division is supported through assessments to state agencies for insurance coverage, which are allocated to agencies based on their experience rating. A schedule of individual agency allocations is available upon request.

New Proposals

Personal Services Reduction - Although no new proposals for this program are shown, prior to removing the program from the budget due to HB 576, the legislature approved personal services reductions of $22,470 in fiscal 1996 and $22,658 in fiscal 1997 through elimination of a 0.43 FTE and vacancy savings.

6101 37 00000

DEPARTMENT OF ADMINISTRATION **STATE TAX APPEAL BOARD**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	10.50	0.00	0.00	10.50	0.00	0.00	10.50	10.50
Personal Services	321,567	16,334	(7,212)	330,689	17,416	(7,175)	331,808	662,497
Operating Expenses	60,356	(1,716)	0	58,640	(693)	0	59,663	118,303
Equipment	1,460	(1,460)	0	0	(1,460)	0	0	0
Local Assistance	7,466	0	0	7,466	0	0	7,466	14,932
Total Costs	$390,849	$13,158	($7,212)	$396,795	$15,263	($7,175)	$398,937	$795,732
Fund Sources								
General Fund	390,849	13,158	(7,212)	396,795	15,263	(7,175)	398,937	795,732
Total Funds	$390,849	$13,158	($7,212)	$396,795	$15,263	($7,175)	$398,937	$795,732

Program Description

The State Tax Appeal Board (STAB) provides a tax appeal system for all actions of the Department of Revenue (Article XIII, Section 7 of the Montana Constitution and section 15-2-101, MCA). It travels throughout the state to hear appeals from decisions of the 56 county tax appeal boards (CTAB); and has original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property, and new industry. The STAB pays a per-meeting honorarium, including mileage reimbursement and meals, to the 168 CTAB members, and pays clerical expenses for each board.

Funding

General fund supports the entire cost of this program.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$16,334	$17,416
2 Inflation/Deflation	172	242
3 Fixed Costs	3,868	4,046
Other Present Law Adjustments		
4 Consultant Services	($9,186)	($9,186)
5 Travel	3,351	3,351
6 Equipment	(1,460)	(1,460)
7 Miscellaneous	79	854
Total Present Law Adjustments	$13,158	$15,263

Present Law Adjustments

1) Personal Services - The legislature added general fund of $16,334 in fiscal 1996 and $17,416 in fiscal 1997 for fiscal 1994 vacancy savings, increased insurance and other benefit costs, and continuation of the fiscal 1995 pay increase.

4) Consultant Services - The legislature reduced contracted services by $9,186 general fund each year to equal the average annual consultant service expenditure level for the past three years ($14,000 per year).

5) Travel - The legislature added general fund of $3,351 per year to bring the travel budget back to the level appropriated in the 1995 biennium (approximately $7,900 per year). Fiscal 1994 travel expenditures consisted solely of County Tax Appeal Board (CTAB) travel, as the STAB curtailed all travel in order to provide funds for the CTAB to process all of their appeals and stay within the appropriated budget.

6) Equipment - The legislature reduced fiscal 1994 equipment expenditures by $1,460 general fund each year to equal the agency request, which is for zero equipment purchases in the 1997 biennium.

6101 37 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	0.00	($7,212)	($7,212)	0.00	($7,175)	($7,175)
Totals	0.00	($7,212)	($7,212)	0.00	($7,175)	($7,175)

New Proposals

1) Personal Services Reduction - The legislature reduced general fund personal services costs through implementation of a 2.1 percent vacancy savings rate per year.

6102 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				APPELLATE DEFENDER				
FTE	0.00	2.00	0.00	2.00	2.00	0.00	2.00	2.00
Personal Services	0	70,109	0	70,109	70,511	0	70,511	140,620
Operating Expenses	0	29,891	0	29,891	29,489	0	29,489	59,380
Total Costs	$0	$100,000	$0	$100,000	$100,000	$0	$100,000	$200,000
Fund Sources								
General Fund	0	100,000	0	100,000	100,000	0	100,000	200,000
Total Funds	$0	$100,000	$0	$100,000	$100,000	$0	$100,000	$200,000

Agency Description

The Appellate Defender is established at section 46-8-210 through 213, MCA, and is hired by and serves at the pleasure of the Appellate Defender Commission. The Appellate Defender provides legal counsel for indigent persons who have been convicted, and who: a) appeal their district court conviction; and/or b) petition for postconviction relief from proceedings in district court. The Appellate Defender also aids the commission in compiling and keeping current a statewide roster of attorneys eligible for appointment by an appropriate court as trial and appellate defense counsel for the indigent.

Summary of Legislative Action

The legislature eliminated the statutory appropriation for this program through passage and approval of SB 83. The legislature also created a separate agency for the program, which had previously been administratively attached to the Department of Administration. Although the Appellate Defender requested an increase in FTE and operating expenses for the 1997 biennium, the legislature continued the program at the FTE and expenditure level authorized under the previous statutory appropriation.

Funding

The Appellate Defender program is funded through district court reimbursement funds, which are derived from 7 percent of the 2 percent tax on automobiles and light trucks (section 61-3-509, MCA). County treasurers forward these funds to the state treasurer, who credits the amounts received to the state general fund for district court expenses as provided in section 3-5-901, MCA.

Present Law Adjustments

Senate Bill 83 - Prior Statutory Appropriations - As a result of the passage of SB 83, all expenditures associated with the Appellate Defender program, which had been funded through a statutory appropriation in previous biennia, are now appropriated in HB 2. In fiscal 1994, the program expended $95,665. The fiscal 1995 appropriation is $100,000. The 1997 biennium budget is set at $100,000 per year, which includes funds to support 2.0 FTE and associated operating expenses.

Language

"The appropriation in item 1 [Appellate Defender Commission] is contingent on: 1) the Appellate Defender program not being funded by a statutory appropriation, as provided in Senate Bill No. 83; and 2) passage and approval of Senate Bill No. 83."

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$70,109	$70,511
2 Inflation/Deflation	0	0
3 Fixed Costs	0	0
Other Present Law Adjustments		
4 Operating Expenses	29,891	29,489
Total Present Law Adjustments	$100,000	$100,000

Other Legislation

Senate Bill 83 - This bill eliminated the statutory appropriation for this program, necessitating that it be budgeted in the general appropriations act.

6102 00 00000
APPELLATE DEFENDER — **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	0.00	0.00	2.00	2.00	0.00	2.00	2.00	2.00
Personal Services	0	0	70,109	70,109	0	70,511	70,511	140,620
Operating Expenses	0	0	29,891	29,891	0	29,489	29,489	59,380
Total Costs	$0	$0	$100,000	$100,000	$0	$100,000	$100,000	$200,000
Fund Sources								
General Fund	0	0	100,000	100,000	0	100,000	100,000	200,000
Total Funds	$0	$0	$100,000	$100,000	$0	$100,000	$100,000	$200,000

Executive Budget Comparison

The Executive Budget did not include funding for the Appellate Defender program, as it had been funded through a statutory appropriation in previous biennia.

6104 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
PUBLIC EMPLOYEES RETIREMENT BD								
FTE	22.00	(1.00)	(1.50)	19.50	(1.00)	(1.50)	19.50	19.50
Personal Services	593,760	51,971	(50,765)	594,966	54,380	(50,944)	597,196	1,192,162
Operating Expenses	510,982	198,675	15,200	724,857	48,435	10,100	569,517	1,294,374
Equipment	8,246	10,130	2,971	21,347	(6,346)	0	1,900	23,247
Total Costs	$1,112,988	$260,776	($32,594)	$1,341,170	$96,469	($40,844)	$1,168,613	$2,509,783
Fund Sources								
Non-Expend. Trust	1,112,988	260,776	(32,594)	1,341,170	96,469	(40,844)	1,168,613	2,509,783
Total Funds	$1,112,988	$260,776	($32,594)	$1,341,170	$96,469	($40,844)	$1,168,613	$2,509,783

Agency Description

The Public Employees' Retirement Division (PERD) of the Department of Administration administers most of the state employee retirement systems including: Public Employees', Game Wardens', Highway Patrol, Judges', Sheriffs', Municipal Police Officers', Firefighters' Unified Retirement Systems and the Volunteer Firefighters' retirement systems (Title 19, Chapters 3, 5, 6, 7, 8, 9, 13, 17 and 18, MCA). It also administers the Federal-State Social Security Agreement as defined in Title II, Section 218 of the Social Security Act and Title 19, Chapter 1, MCA. The administration and operation of the retirement systems are governed by rules adopted by the Public Employees' Retirement Board (section 2-15-1009, MCA). Board members, appointed by the Governor for 5 year terms, consist of 3 public employees active in the retirement system, 1 retired employee, and 2 members at large.

Summary of Legislative Action

The primary adjustments to this budget were the addition of funds for increased rent and contracted data processing system modifications and legal services.

Funding

This program is funded from interest earned on investments held in trust for the retirement systems.

Present Law Adjustments

1) Personal Services - The legislature approved increases over the base year due to vacancy savings, increases in benefits and insurance, continuation of the fiscal 1995 pay plan increase, and per diem for board member "study" days and travel outside normal working hours. The legislature also eliminated 1.0 FTE each year, which was authorized to implement HB 517 (the early retirement bill). Although the personal services and operating expenses associated with HB 517 were removed from the base budget, the 1.0 FTE was not.

4) Systems Development - The legislature added $69,169 in fiscal 1996 and $8,017 in fiscal 1997 for systems development expenses.

5) Printing - The legislature added $13,191 in fiscal 1996 to print an increased number of more extensive handbooks for members and employers.

6) Actuarial Studies and Evaluations - The legislature reduced the base budget by: a) $8,734 in fiscal 1996 to remove one-time only expenditures associated with an actuarial experience study completed in fiscal 1994; and b) $24,016

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$51,971	$54,380
2 Inflation/Deflation	(235)	(7,697)
3 Fixed Costs	26,201	(17,863)
Other Present Law Adjustments		
4 Systems Development	$69,169	$8,017
5 Printing	13,191	0
6 Actuarial Studies & Evaluations	(8,734)	(24,016)
7 Legal Fees	37,514	37,288
8 Medical Consultants	7,200	7,700
9 Communications Increases	8,034	5,704
10 Travel	15,353	11,303
11 Rent	25,200	25,200
12 Equipment	10,130	(6,346)
13 Miscellaneous	5,782	2,799
Total Present Law Adjustments	$260,776	$96,469

in fiscal 1997 to remove costs of a Government Accounting Standards Board (GASB) valuation required only in the first year of the biennium.

7) Legal Fees - The legislature approved increases for additional legal services from the Department of Justice, hearing officer and legal services from other state agencies for contested cases, and Administrative Rules of Montana filing fees.

8) Medical Consultants - The legislature approved increased services from contracted physicians to determine if members are totally and permanently disabled.

9) Communications Increases - The legislature added funding for increased postage and long distance charges associated with providing mailings and making phone calls to an increased number of retirees.

10) Travel - The legislature added $15,353 in fiscal 1996 and $11,303 in fiscal 1997 to: a) annualize lower than usual fiscal 1994 travel expenditures; and b) resume staff and board member attendance at various national and statewide conferences.

11) Rent - The legislature added $25,200 each year for increased rent.

12) Equipment - The legislature: a) added $10,130 in fiscal 1996 to purchase replacement office furniture, software, and personal computers; and b) reduced the base budget by $6,346 in fiscal 1997.

6104 00 00000

New Proposals	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 EBT Mail Statements			$15,200			$10,100
2 Lap Top PC			2,971			
3 Personal Services Reductions	(1.50)		(50,765)	(1.50)		(50,944)
Totals	(1.50)		($32,594)	(1.50)		($40,844)

New Proposals

1) EBT Mail Statements - The legislature approved a new proposal to provide mail advices to retirees who have their monthly benefit deposited through electronic fund transfers.

2) Lap Top PC - The legislature added $2,971 in fiscal 1996 to purchase a lap top computer, modem, and portable printer to use during retirement seminars around the state.

3) Personal Services Reduction - The legislature eliminated 1.5 FTE per year for proprietary fund savings of $50,765 in fiscal 1996 and $50,944 in fiscal 1997.

6104 00 00000
PUBLIC EMPLOYEES RETIREMENT BD — EXECUTIVE BUDGET COMPARISON
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	22.00	19.50	19.50	0.00	19.50	19.50	0.00	0.00
Personal Services	593,760	594,966	594,966	0	597,196	597,196	0	0
Operating Expenses	510,982	724,857	724,857	0	576,713	569,517	(7,196)	(7,196)
Equipment	8,246	21,347	21,347	0	1,900	1,900	0	0
Total Costs	$1,112,988	$1,341,170	$1,341,170	$0	$1,175,809	$1,168,613	($7,196)	($7,196)
Fund Sources								
Non-Expend. Trust	1,112,988	1,341,170	1,341,170	0	1,175,809	1,168,613	(7,196)	(7,196)
Total Funds	$1,112,988	$1,341,170	$1,341,170	$0	$1,175,809	$1,168,613	($7,196)	($7,196)

Executive Budget Comparison

The legislature approved the Executive Budget for this agency, with one exception: a $7,196 reduction in fiscal 1997, which is the result of additional deflation on computer processing and long distance charges.

6105 00 00000 Agency Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
TEACHERS RETIREMENT BOARD								
FTE	11.50	0.00	(0.50)	11.00	0.00	(0.50)	11.00	11.00
Personal Services	319,476	18,877	(16,763)	321,590	20,836	(16,887)	323,425	645,015
Operating Expenses	249,740	80,516	0	330,256	57,399	0	307,139	637,395
Equipment	18,748	(12,348)	0	6,400	(13,668)	0	5,080	11,480
Debt Service	61,105	369	0	61,474	369	0	61,474	122,948
Total Costs	$649,069	$87,414	($16,763)	$719,720	$64,936	($16,887)	$697,118	$1,416,838
Fund Sources								
Non-Expend. Trust	649,069	87,414	(16,763)	719,720	64,936	(16,887)	697,118	1,416,838
Total Funds	$649,069	$87,414	($16,763)	$719,720	$64,936	($16,887)	$697,118	$1,416,838

Agency Description

The Teachers' Retirement Board, which consists of the Superintendent of Public Instruction and five members appointed by the Governor, is responsible for the administration of the teachers' retirement system (TRS). To assist in fulfilling its duties, the board employs a full-time staff. The TRS administers retirement, disability, and survivor benefits for all Montana teachers and their beneficiaries (Title 19, Chapter 20, MCA).

Summary of Legislative Action

The primary adjustment to this budget was the addition of funds to contract for a new data processing system and modifications. The remaining changes were primarily minor present law adjustments.

Funding

The Teachers' Retirement Board is funded from interest earned on investments held in trust for the teachers' retirement system.

Present Law Adjustments

1) Personal Services - The legislature added $18,877 in fiscal 1996 and $20,836 in fiscal 1997 due to vacancy savings, increases in health insurance and other benefits, annualization of the January 1995 pay increase, and per diem for one additional board meeting.

4) Systems Support and Development - The legislature added $49,513 in both years of the biennium for a systems support contract for the new data processing system and modifications to allow system communication with Department of Administration systems.

5) Actuarial Investigations - The legislature reduced fiscal 1996 expenditures to eliminate costs associated with a special project actuarial investigation of the TRS pension fund, and increased fiscal 1997 expenditures to fund an actuarial investigation of the university system contribution rate.

6) Printing - The legislature added $9,000 in fiscal 1996 to publish a handbook of information and clerk reporting instructions.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$18,877	$20,836
2 Inflation/Deflation	220	664
3 Fixed Costs	14,679	(19,736)
Other Present Law Adjustments		
4 Systems Support and Development	$49,513	$49,513
5 Actuarial Investigations	(13,040)	11,960
6 Printing	9,000	0
7 Maintenance Contracts	3,565	3,565
8 Rent	5,521	6,305
9 Equipment	(12,348)	(13,668)
10 Miscellaneous	7,827	5,497
11 HB 316	3,600	
Total Present Law Adjustments	$87,414	$64,936

7) Maintenance Contracts - The legislature added $3,565 per year for additional maintenance contracts for equipment previously on warranty.

9) Equipment - The legislature reduced equipment expenditures, leaving sufficient funds to purchase replacement equipment including office furniture, office equipment, and computer equipment.

11) HB 316 - The legislature added non-expendable trust funds of $3,600 in fiscal 1996 to implement HB 316. For a further discussion of this bill, see "Other Legislation".

6105 00 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions	(0.50)		($16,763)	(0.50)		($16,887)
Totals	(0.50)		($16,763)	(0.50)		($16,887)

New Proposals

1) Personal Services Reduction - The legislature approved personal services reductions, as requested by the executive. A 0.5 FTE was eliminated, which will result in a savings of approximately $10,000 each year. The additional savings will be achieved through vacancy savings.

Other Legislation

House Bill 316 - This legislation: a) clarified current creditable service provisions of the Teachers' Retirement System; b) provided that members of the system who became members on or after July 1, 1989, may purchase at the actuarial cost membership service for certain service performed out of state, private teaching service, employment while on leave, and time spent on an injury-related leave; and c) provided that kindergarten through grade 12 private teaching service must be service as a certified teacher.

The legislature appropriated $3,600 of interest earnings on investments held in trust for the Teachers' Retirement System to the agency to make necessary computer enhancements to implement this legislation.

6105 00 00000
TEACHERS RETIREMENT BOARD **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	11.50	11.00	11.00	0.00	11.00	11.00	0.00	0.00
Personal Services	319,476	321,590	321,590	0	323,425	323,425	0	0
Operating Expenses	249,740	326,656	330,256	3,600	309,915	307,139	(2,776)	824
Equipment	18,748	6,400	6,400	0	5,080	5,080	0	0
Debt Service	61,105	61,474	61,474	0	61,474	61,474	0	0
Total Costs	$649,069	$716,120	$719,720	$3,600	$699,894	$697,118	($2,776)	$824
Fund Sources								
Non-Expend. Trust	649,069	716,120	719,720	3,600	699,894	697,118	(2,776)	824
Total Funds	$649,069	$716,120	$719,720	$3,600	$699,894	$697,118	($2,776)	$824

Executive Budget Comparison

The legislature approved the Executive Budget for this agency, with two changes: a) the fiscal 1996 budget was increased by $3,600 to implement HB 316; and b) the fiscal 1997 budget was reduced by $2,776 due to additional deflationary reductions in computer processing and long distance charges.

HEALTH
AND
HUMAN SERVICES

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS
AND SENATE FINANCE AND CLAIMS COMMITTEES

Labor and Industry

Public Health & Human Services

Social and Rehabilitation Services*

Family Services**

Health & Environmental Sciences***

--------------Committee Members--------------

<u>House</u>

Representative John Cobb (Chair)

Representative Beverly Barnhart

Representative Betty Lou Kasten

<u>Senate</u>

Senator Chuck Swysgood (Vice-Chair)

Senator Jim Burnett

Senator J.D. Lynch

--------------Fiscal Analyst Staff--------------

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* Reorganization (SB 345) transferred all functions of this agency to Dept. of Public Health & Human Services.
** Reorganization (SB 345) transferred all functions of this agency to Dept. of Public Health & Human Services and Dept. of Corrections.
*** Reorganization (SB 234 and SB 345) transferred all functions of this agency to Dept. of Public Health & Human Services and Dept. of Environmental Quality.

6602 00 00000

LABOR & INDUSTRY

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	659.50	(49.00)	(15.50)	595.00	(49.00)	(12.50)	598.00	598.00
Personal Services	19,486,072	(296,972)	(519,413)	18,669,687	(205,442)	(430,426)	18,850,204	37,519,891
Operating Expenses	7,132,368	626,499	338,729	8,097,596	470,969	350,513	7,953,850	16,051,446
Equipment	516,632	109,199	25,394	651,225	95,467	(35,800)	576,299	1,227,524
Grants	11,621,974	0	100,000	11,721,974	0	100,000	11,721,974	23,443,948
Benefits and Claims	324,412	(49,884)	0	274,528	(61,884)	0	262,528	537,056
Debt Service	2,677	150,129	0	152,806	124,331	0	127,008	279,814
Total Costs	$39,084,135	$538,971	($55,290)	$39,567,816	$423,441	($15,713)	$39,491,863	$79,059,679
Fund Sources								
General Fund	811,601	387,026	(4,228)	1,194,399	374,263	(4,319)	1,181,545	2,375,944
State/Other Special	10,716,285	243,224	113,039	11,072,548	(22,244)	139,691	10,833,732	21,906,280
Federal Special	25,245,364	1,685,134	(159,269)	26,771,229	1,851,098	(161,175)	26,935,287	53,706,516
Proprietary	2,310,885	(1,776,413)	(4,832)	529,640	(1,779,676)	10,090	541,299	1,070,939
Total Funds	$39,084,135	$538,971	($55,290)	$39,567,816	$423,441	($15,713)	$39,491,863	$79,059,679

Agency Description

The Department of Labor and Industry (DOLI), provided for in section 2-15-1701, MCA, serves as an employment agency, collects and disburses state unemployment trust funds, provides training, and oversees federal and state training programs. The department also enforces federal and state labor standards laws, state wage and hour laws, provides for apprenticeships, provides adjudicative services in labor-management disputes, enforces state and federal anti-discrimination laws, and performs workers' compensation and safety regulatory duties.

Summary of Legislative Action

Reflecting the impacts of other legislation caused several major adjustments in HB 2. The single most significant adjustment in this agency is the removal of proprietary funds to comply with HB 576. Biennial proprietary funds in excess of $3.2 million and 39.0 FTE (net of 6.0 FTE proposed for personal services reductions) are moved off budget. Another major adjustment to coordinate with other legislation moves 4.5 FTE and $0.9 million in state special revenues to the Department of Commerce for a minor reorganization required by HB 68. Also, 4.0 FTE in fiscal 1996 and 7.0 FTE in fiscal 1997 and a total of $0.8 million in state special revenues are authorized to implement SB 354 (construction contractor registration).

Mail costs increase by $0.8 million in the Job Service and Unemployment Insurance Divisions due to a change in the United States Postal Service billing operations related to federally funded programs. This increase is 100 percent reimbursed by federal funds. Present law operating expenses increase by $0.3 million and a new proposal adds $0.4 million and 4.0 FTE in the Employment Relations Division to fully implement various workers' compensation system reforms passed by the 1993 legislature. These are primarily funded with state special revenues. Personal services reductions eliminate 24.5 FTE and 1.0 FTE is added for duties related to processing independent contractor exemptions.

General fund increases by nearly $0.8 million primarily because of a $0.7 funding shift for the Jobs for Montana Graduates (JMG) and Displaced Homemakers programs, which were funded with state special revenues from the employment security account in the Executive Budget. The remainder of the general fund increases come from the net of minor increases in the Human Rights Commission and decreases in silicosis and social security offset benefits due to mortality.

Employment Security Account

The employment security account (ESA) receives revenues from the unemployment insurance administrative tax (UI admin tax), which is a tax of 0.1 percent on all wages subject to the unemployment tax paid by employers with experience ratings, and 0.05 percent on total wages paid by employers without experience ratings. Interest on the fund balance is retained within the account.

The UI admin tax was passed in 1983 to keep rural job service offices open if federal funds were reduced, and any balance not appropriated was to be transferred to the unemployment insurance (UI) trust fund. Over time, the tax was used for more diverse purposes and transfers to the UI trust fund ceased. The 1993 legislature changed the transfer requirement to a permissive transfer requiring approval of the budget director.

The budget proposed by the executive contained spending levels that were significantly higher than annual revenues, and would have used virtually all of the remaining fund balance. The legislature eliminated several executive present law adjustments and new proposals funded by the ESA and switched the funding source for the JMG ($125,205 each year) and Displaced Homemaker ($237,600 each year) programs to general fund. The purpose was to balance revenues and expenditures for this source of funds and to align the use of UI admin tax more closely with the original intent of the tax. Language was added to HB 2 directing the commissioner of labor and the budget director to transfer to the UI trust fund any balance not needed for agency appropriations.

Table 1 shows actual and projected revenues and expenditures from the account since fiscal 1994. As shown, the ending fund balance is reduced from a projected $1.35 million at the end of fiscal 1995 to less than $1.00 million at the end of the 1997 biennium. Ongoing expenditures are within anticipated on-going revenues. However, a one-time appropriation causes total expenditures to exceed revenues in both years of the biennium.

Table 1
Employment Security Account (UI Administrative Tax)
Revenues & Expenses

Transaction Type	FY 94 Actual	FY 95 Estimated	FY 96 Estimated	FY 97 Estimated
Beginning Balance:	$3,726,931	$2,351,446	$1,351,193	$1,109,255
Revenues				
UI Admin Tax	$3,478,206	$3,622,000	$3,796,000	$3,923,000
Interest	128,262	64,343	52,822	43,671
Total Funds Available	$7,333,399	$6,037,789	$5,200,015	$5,075,926
Expenditures:				
Job Service Division	$2,225,656	$2,062,486	$2,170,604	$1,937,146
Jobs for MT Graduates	125,204	125,905		
Certified Apprenticeship (OTO)			100,000	100,000
Apprenticeship	197,388	208,222	199,214	200,479
Displaced Homemakers	212,258	216,000		
Unemployment Insurance Division	368,031	368,830	357,687	369,004
Employment Relations Division	626,083	634,686	570,808	565,308
Legal Services Division	267,449	339,549	287,479	284,663
MT Community Service Corps (OTO)	25,151	279,988	94,949	94,634
Proposed Pay Plan - Estimated*			241,269	607,595
HB 550 Funding (OTO)			68,750	
Special Projects:				
Dislocated State Workers	366,330	100,833		
Dislocated Non-State Workers	215,102	3,398		
Ex-Offenders/Corrections	220,861	59,139		
Ex-Offenders/Labor & Industry	16,138	53,862		
Multiple Barriers	116,302	233,698		
Total Expenditures	$4,981,953	$4,686,596	$4,090,760	$4,158,829
Ending Balance	$2,351,446	$1,351,193	$1,109,255	$917,097

*As estimated by the Office of Budget and Program Planning

Language

"The commissioner of labor and industry and the budget director of the office of budget and program planning shall transfer from the employment security trust account to the unemployment trust fund account the amount of funds determined to be in excess of the amount needed to fund the department programs for the 1997 biennium. This transfer must be made no later than October 1, 1996."

Other Legislation

House Bill 5 - This bill authorizes the expenditure of current funds for capital projects during the biennium. The department was appropriated $110,000 of federal funds for repair and maintenance projects and $156,550 of federal funds to purchase land for parking at various job service offices throughout the state.

House Bill 15 - This bill authorizes the issuance of debt and appropriates funds from the issuances for capital projects during the biennium. The department was appropriated $350,000 to expand the job service office in Havre.

House Bill 68 - The legislature approved a transfer to the Department of Commerce (DOC) of licensure and inspection duties for construction blasters, boiler and steam engine operators, and crane and hoist operators. This legislation also transferred certain duties from the Department of Justice to DOC, made minor statutory changes, and imposed new fees for boiler inspections. The department's state special revenue authority was reduced in HB 2 by approximately $224,000 each year to reflect the change.

House Bill 200 - This legislation made numerous changes in the state's workers' compensation and occupational disease laws including: exempting certain corporate officers and managers from coverage requirements; clarifying departmental responsibilities in approving group workers' compensation insurance plans; clarifying the manner in which the department may conduct administrative hearings; requiring investment income from the uninsured employers fund to be retained by that fund; requiring investment income from the subsequent injury fund to be retained by that fund; and implementation of a $25 annual application fee for parties requesting exemptions as independent contractors.

House Bill 490 - The legislature extended the State Employee Protection Act through the 1997 biennium. This legislation provides certain temporary benefits and protections to a state employee "whose position is eliminated as a result of privatization, reorganization of an agency, closure of or a reduction in force at an agency, or other actions by the legislature". The department is required to maintain a job registry of those state employees and send them announcements of open positions for which they may qualify. HB 490 includes general fund appropriations of $39,408 each year to fund the job registry. This legislation sunsets on July 1, 1997.

House Bill 550 - DOLI and the Department of Revenue (DOR) are required to jointly conduct a cost-benefit analysis to determine the feasibility of integrating employer wage reporting for withholding tax, unemployment insurance (UI) tax, and old fund liability tax, and integrating other related functions. Currently, DOLI is responsible for collection of UI tax and related duties while DOR is responsible for the other taxes. DOLI is appropriated $125,000 of federal funds from the UI penalty and interest account and DOR is appropriated $125,000 of state special funds from UI admin tax proceeds (55%) and assessments to workers' compensation insurers (45%) to conduct the analysis.

Senate Bill 264 - The legislature passed the Montana Employer Organizations and Groups Licensing Act to require licensing of and standards for professional employer organizations and groups. The act requires compliance with several operating standards and establishes annual license fees of either $500 or $750 depending on the organization's home state, regulatory conditions imposed in that state, and the magnitude and extent of the organization's operations in Montana.

Senate Bill 354 - This legislation establishes a registration program for construction contractors and implements new fees to fund administrative and enforcement duties assigned to the department. The intent of the legislation is to ensure that construction contractors comply with workers' compensation and unemployment insurance laws so that a level playing field exists in the industry. HB 2 includes state special revenue authority of $267,780 in fiscal 1996 and $337,401 in fiscal 1997 for duties in the Employment Relations Division and $68,945 in fiscal 1996 and $138,419 in fiscal 1997 for duties in the Legal Services Division.

Executive Budget Comparison

The legislature did not include the following present law changes included in the Executive Budget: 1) Job Service Division -- a) $118,930 each year associated with budget amendments and administrative appropriations that should not have been included in present law; and b) $289,668 each year in grant increases because the department withdrew the request for these increases; 2) Employment Relations Division -- a) $15,000 each year for effectiveness/satisfaction surveys; b) approximately $19,000 each year for training; and c) $47,033 in fiscal 1996 and $52,443 in fiscal 1997 for

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LABOR & INDUSTRY — **EXECUTIVE BUDGET COMPARISON**
Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	659.50	636.00	595.00	(41.00)	636.00	598.00	(38.00)	(38.00)
Personal Services	19,486,072	19,984,240	18,669,687	(1,314,553)	20,077,348	18,850,204	(1,227,144)	(2,541,697)
Operating Expenses	7,132,368	8,786,284	8,097,596	(688,688)	8,690,127	7,953,850	(736,277)	(1,424,965)
Equipment	516,632	658,943	651,225	(7,718)	605,135	576,299	(28,836)	(36,554)
Grants	11,621,974	11,911,642	11,721,974	(189,668)	11,911,642	11,721,974	(189,668)	(379,336)
Benefits and Claims	324,412	281,540	274,528	(7,012)	269,540	262,528	(7,012)	(14,024)
Debt Service	2,677	152,806	152,806	0	127,008	127,008	0	0
Total Costs	$39,084,135	$41,775,455	$39,567,816	($2,207,639)	$41,680,800	$39,491,863	($2,188,937)	($4,396,576)
Fund Sources								
General Fund	811,601	879,654	1,194,399	314,745	879,202	1,181,545	302,343	617,088
State/Other Special	10,716,285	11,514,401	11,072,548	(441,853)	11,206,837	10,833,732	(373,105)	(814,958)
Federal Special	25,245,364	27,205,755	26,771,229	(434,526)	27,405,899	26,935,287	(470,612)	(905,138)
Proprietary	2,310,885	2,175,645	529,640	(1,646,005)	2,188,862	541,299	(1,647,563)	(3,293,568)
Total Funds	$39,084,135	$41,775,455	$39,567,816	($2,207,639)	$41,680,800	$39,491,863	($2,188,937)	($4,396,576)

numerous small increases; 3) Legal Services Division -- a) $7,500 each year for secretarial services; b) $18,900 each year for court reporter services; and c) $7,398 each year from the Human Rights Commission for legal fees and court costs. The legislature added to the Human Rights Commission $20,000 each year for housing discrimination enforcement. More than $1.6 million in proprietary funding each year was taken off budget to comply with HB 576.

The Legislature did not approve the following executive new proposals: 1) $8,000 in fiscal 1996 for new equipment purchases in the Job Service Division (the request was withdrawn by the department); 2) two executive new proposals related to the Office of Community Service because the bill (HB 523) that would have transferred this program from the Governor's Office to the department did not pass; 3) $10,788 in fiscal 1996 and $12,288 in fiscal 1997 for new equipment in the Unemployment Insurance Division; and 4) $1,250 of general fund each year for the Human Rights Commission for travel expenses of the Martin Luther King Jr. Advisory Council. The legislature approved two of its own new proposals: 1) a one-time-only appropriation of $100,000 each year for certified apprenticeship and related training programs in the Job Service Division; and 2) funding in the Employment Relations Division of $267,780 in fiscal 1996 and $337,401 in fiscal 1997 and the Legal Services Division of $68,945 in fiscal 1996 and $138,419 in fiscal 1997 to implement construction contractor regulations required by the passage of SB 354.

In addition, the legislature changed the funding source of the Jobs for Montana Graduates and Displaced Homemaker programs from Unemployment Insurance admin tax to general fund.

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LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
JOB SERVICE DIVISION								
FTE	340.35	0.00	(13.50)	326.85	0.00	(13.50)	326.85	326.85
Personal Services	10,284,957	374,660	(459,904)	10,199,713	427,291	(463,457)	10,248,791	20,448,504
Operating Expenses	3,567,396	110,871	3,301	3,681,568	35,266	7,150	3,609,812	7,291,380
Equipment	229,712	84,363	(24,800)	289,275	111,416	(25,400)	315,728	605,003
Grants	11,621,974	0	100,000	11,721,974	0	100,000	11,721,974	23,443,948
Debt Service	1,723	151,083	0	152,806	125,285	0	127,008	279,814
Total Costs	$25,705,762	$720,977	($381,403)	$26,045,336	$699,258	($381,707)	$26,023,313	$52,068,649
Fund Sources								
General Fund	0	362,805	0	362,805	362,805	0	362,805	725,610
State/Other Special	5,981,628	(425,112)	(358,362)	5,198,154	(657,194)	(358,473)	4,965,961	10,164,115
Federal Special	19,678,076	783,284	(23,041)	20,438,319	993,647	(23,234)	20,648,489	41,086,808
Proprietary	46,058	0	0	46,058	0	0	46,058	92,116
Total Funds	$25,705,762	$720,977	($381,403)	$26,045,336	$699,258	($381,707)	$26,023,313	$52,068,649

Program Description

The Job Service Division provides a wide range of federally funded employment and training programs including: 1) employment services; 2) unemployment insurance; 3) veterans services; 4) migrant and seasonal farm worker services; 5) alien certification; 6) housing inspection; 7) school to work transition program (Jobs for Montana's Graduates - JMG); 8) federal bonding program; 9) programs for dislocated workers (Economic Dislocation Worker Adjustment Assistance - EDWAA) and economically disadvantaged individuals (Job Training Partnership Act - JTPA); 10) targeted job tax credit; 11) trade adjustment assistance; and 12) state registration for apprenticeship programs. The division also contains the Job Training Bureau, which administers employment and training programs and serves as staff to the State Job Training Coordinating Council.

Funding

This program is funded with general fund, state special revenue funds, federal funds and a minor amount of proprietary funds. General fund supports Displaced Homemaker and Jobs for Montana Graduates (JMG) activities. State special revenues come from the UI admin tax, contracts with the Montana Job Training Partnership (MJTP), and private grants, donations, and contributions for JMG activities. A significant amount of total federal funds is related to the Job Training Partnership Act, and are granted 100 percent to MJTP. Proprietary funds are funded by rental fees charged to sub-lessees in buildings rented by job service.

Present Law Adjustments

1) Personal Services - Fiscal 1994 vacancy savings, benefit increases, the addition of pay plan increases of over $120,000, and other miscellaneous adjustments result in personal services increases of $374,660 in fiscal 1996 and $427,291 in fiscal 1997.

4) Elimination of Penalty Mail - The legislature accepted the executive proposal to increase mail expenses by $128,313 each year to reflect the United States Postal Service initiative to eliminate the use of Penalty Indicia (Eagle) envelopes. The appropriation, 100 percent federal funds, is restricted to the payment of mail costs only.

5) KIOSK (information centers) - The legislature approved an executive proposal for a $33,600 annual increase for communications lines and long distance charges to make use of 70 additional KIOSK, which have been purchased with

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$374,660	$427,291
2 Inflation/Deflation	(21,138)	(80,747)
3 Fixed Costs	45,075	(6,128)
Other Present Law Adjustments		
4 Elimination of Penalty Mail	$128,313	$128,313
5 KIOSK (information centers)	33,600	33,600
6 Equipment Maintenance	51,860	47,320
7 Additional Council Member Travel	9,986	9,986
8 Indirect Costs	(80,430)	(22,796)
9 Bond Principal & Interest Payments	65,169	39,371
10 Equipment	84,363	111,416
11 Other	29,519	11,632
Total Present Law Adjustments	$720,977	$699,258

a federal grant. Periodic information updates will be transmitted via long-distance to keep the KIOSK current. The appropriation, 100 percent federal funds, was approved on a restricted/one-time-only basis so that the department would be required to justify the expenditures in the next budget cycle. Language has been included in HB 2 to provide legislative intent.

6) Equipment Maintenance - The legislature approved an executive proposal for equipment maintenance. Contracts to maintain mailing equipment cost $11,860 each year and supplies and tools for computer maintenance increase by $40,000 in fiscal 1996 and $35,460 in fiscal 1997.

7) Additional Council Member Travel - The legislature adopted an executive proposal for $9,986 in additional annual travel expenses for a council member position which incurred no travel expenses during fiscal 1994.

8) Indirect Costs - An executive proposal to reflect lower indirect costs to support centralized functions of the department was accepted by the legislature.

9) Bond Principal & Interest Payments - The legislature accepted an executive proposal to increase bond principal and interest (P&I) payments. This adjustment reflects reduced P&I payments due to the retirement of one bond issue during fiscal 1996 and increased P&I payments due to the new issuance of another bond during fiscal 1995. The two bond issues are not related.

10) Equipment - The legislature accepted an executive proposal for replacement equipment expenditures of $314,075 in fiscal 1996 and $341,128 in fiscal 1997, or increases of $84,363 and $111,416 above the base. Equipment proposed by the executive includes two replacement vehicles each year, numerous computers and related software and equipment, copying machines, fax machines, and local office telephone systems. In a new proposal, the previously mentioned vehicle purchases are converted into leases.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 New Vehicle Lease			($21,499)			($18,250)
2 Certified Apprenticeship			100,000			100,000
3 Personal Services Reductions	(13.50)		(459,904)	(13.50)		(463,457)
Totals	(13.50)		($381,403)	(13.50)		($381,707)

New Proposals

1) New Vehicle Lease - The legislature accepted an executive proposal to lease rather than purchase replacement vehicles. This new proposal converts the vehicle purchases into leases from the motor pool. Fuel and maintenance are included in the lease payments. Fiscal 1996 expenditures would increase by $3,301 for the leases (net of fuel and maintenance cost reductions), and decrease by $24,800 for equipment. Fiscal 1997 expenditures would increase by $7,150 for the leases (net of fuel and maintenance cost reductions), and decrease by $25,400 for equipment. This new proposal is funded by the employment security account (UI admin tax).

2) Certified Apprenticeship - The legislature appropriated $100,000 each year of employment security account (UI admin tax) state special revenues for certified apprenticeship instruction and related training programs. These funds are restricted to that purpose only and approved on a one-time-only basis. Language was included in HB 2 to clarify the restrictions.

3) Personal Services Reductions - The legislature accepted the personal services reductions proposed by the executive. This new proposal eliminates 13.5 FTE, resulting in decreased personal services expenses of $344,290 in fiscal 1996 and $345,736 in fiscal 1997. Vacancy savings of $115,614 in fiscal 1996 and $117,721 (about 1 percent) is also included in the new proposal. This new proposal reduces appropriations of UI admin tax and federal grant funds.

The FTE reductions consist of 7.0 FTE Employment Services Specialists, 2.0 FTE Employment Services Supervisor's, an Employment Services Assistant Manager, and clerical positions.

Language

"Funds appropriated for item [KIOSK] must be used for telephone equipment charges and long distance charges associated with operating KIOSK and computerized information centers. The legislature intends the department to coordinate with other state agencies, counties, cities, and towns to the greatest extent possible to fully utilize the capacity and capabilities of the KIOSK and computerized information centers that will be installed throughout the state. The department shall report on the usage and effectiveness of the KIOSK and computerized information centers to the 55th legislature. Because these funds are approved on a one-time-only basis, the department shall request and justify similar funding in a new proposal for the 1999 biennium if it intends to continue operating the KIOSK and computerized information centers past the 1997 biennium."

"Funds approved in item [Certified Apprenticeship -- Instruction and Related Training Programs] may be used only for certified apprenticeship instruction and for related training programs."

6602 02 00000 LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
			UNEMPLOYMENT INSURANCE DIV.					
FTE	129.40	0.00	(5.40)	124.00	0.00	(5.40)	124.00	124.00
Personal Services	3,809,913	73,939	(148,386)	3,735,466	91,567	(149,648)	3,751,832	7,487,298
Operating Expenses	1,590,846	521,566	14,775	2,127,187	499,117	14,775	2,104,738	4,231,925
Equipment	76,736	92,407	15,000	184,143	69,907	15,000	161,643	345,786
Total Costs	$5,477,495	$687,912	($118,611)	$6,046,796	$660,591	($119,873)	$6,018,213	$12,065,009
Fund Sources								
State/Other Special	447,782	(3,620)	0	444,162	11,822	0	459,604	903,766
Federal Special	4,915,755	801,490	(118,611)	5,598,634	758,727	(119,873)	5,554,609	11,153,243
Proprietary	113,958	(109,958)	0	4,000	(109,958)	0	4,000	8,000
Total Funds	$5,477,495	$687,912	($118,611)	$6,046,796	$660,591	($119,873)	$6,018,213	$12,065,009

Program Description

The Unemployment Insurance Division administers the state unemployment insurance law and related federal programs and monitors employment statistics. The division operates through four bureaus: 1) the Benefits Bureau, which receives, processes, and pays benefits claims, adjudicates problem claims, and compiles data for state and federal reporting; 2) the Contributions Bureau, which determines employers' tax liability, processes employer quarterly reports, collects taxes, determines employer tax rates, and compiles data for state and federal reporting; 3) the Research and Analysis Bureau, which develops data and statistics, conducts studies, charts and forecasts trends, and publishes information regarding employment and unemployment in Montana; and 4) the Administrative Services Bureau, which provides support services for the division.

Funding

The program is funded with state special revenue funds, federal special revenue funds, and proprietary funds. State special revenue funds are primarily comprised of UI admin tax and assessments to workers' compensation insurers. Proprietary funds support special projects and supported the Montana Career Information System (MCIS) in the 1995 biennium. MCIS was taken off budget due to the passage of HB 576.

Present Law Adjustments

1) Personal Services - The legislature accepted the executive personal services adjustment of $128,890 in fiscal 1996 and $146,704 in fiscal 1997. Pay plan increases represent over $44,000 each year with the remainder being due primarily to vacancies during the base year. The 2.0 FTE added are Montana Career Information System (MCIS) positions.

4) MCIS Operating Costs - The legislature accepted an executive proposal to locate the Montana Career Information System (MCIS) at DOLI rather than at the Commissioner of Higher Education (CHE). The MCIS was housed at DOLI during the base year through an administrative appropriation from CHE and the executive proposed that the administrative appropriation stay in DOLI's base budget. However, in developing the Executive Budget, these operating costs were inadvertently left out. This present law adjustment provides operating expenses of $96,914 in fiscal 1996 and $105,333 in fiscal 1997. The MCIS is supported with proprietary funds.

5) R&A National Conference - The legislature adopted an executive proposal for $40,000 in fiscal 1996 to host the National Bureau of Labor Statistics/LMI Directors Conference. The conference would be funded through a federal

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$128,890	$146,704
2 Inflation/Deflation	(11,587)	(35,641)
3 Fixed Costs	39,184	24,759
Other Present Law Adjustments		
4 MCIS Operating Costs	$96,914	$105,333
5 R&A National Conference	40,000	0
6 BeAR Enhancements	63,164	63,164
7 DofA Mainframe Costs - New Tax Syste	51,866	51,866
8 Supplies	28,390	28,390
9 Interactive Voice Response System	49,500	49,500
10 Elimination of Penalty Mail	244,017	277,745
11 Equipment	100,407	72,907
12 HB 576-Removal of Proprietary Funds	(160,302)	(164,315)
13 Other	17,469	40,179
Total Present Law Adjustments	$687,912	$660,591

contract. The appropriation is restricted and approved on a one-time-only basis.

6) BeAR Enhancements - Benefit Automated Rewrite System (BeAR) is the unemployment insurance benefit accounting and payment system. The legislature accepted an executive present law adjustment to spend $63,164 each year of federal funds to correct noted deficiencies in the system. The appropriation was approved on a restricted/one-time-only basis.

7) DofA Mainframe Costs - New Tax System - The legislature adopted the executive proposal for $51,886 for annual Department of Administration mainframe charges to operate the new unemployment insurance tax computer system.

8) Supplies - The legislature accepted an executive proposal for additional annual supplies expenses, comprised of $12,349 for office furniture and miscellaneous equipment, $6,400 for personal computer memory upgrades, $2,400 for toner cartridges for new laser printers, and $7,241 for personal computer software upgrades.

9) Interactive Voice Response - The legislature approved the executive proposal for the expenditure of $49,500 in each year of the biennium for telephone equipment charges to implement an interactive voice response system.

10) Elimination of Penalty Mail - The legislature accepted an executive proposal for an increase in mail expenses to reflect the United States Postal Service initiative to eliminate the use of Penalty Indicia (Eagle) envelopes. The appropriation is federally funded and is restricted to the payment of mail costs only.

11) Equipment - The legislature accepted the executive proposal for replacement equipment expenditures of $177,143 in fiscal 1996 and $149,643 in fiscal 1997 for computers and related software and equipment, copiers, fax machines, and furniture. This is a present law adjustment of $100,407 in fiscal 1996 and $72,907 in fiscal 1997. In addition, the legislature accepted an executive proposal for new equipment in a new proposal.

12) HB 576-Removal of Proprietary Funds - Proprietary funding for the MCIS was moved off budget to comply with HB 576, which eliminates the requirement that certain proprietary funds be appropriated by the legislature. In action prior to the passage of HB 576, the legislature had appropriated more than $160,000 each year to support 2.0 FTE, operating costs and equipment purchases needed to run the MCIS. Fees for the MCIS services and products vary depending on the services and products required and are maintained on a published price list.

New Proposals

1) UID/P&I Automation - The legislature accepted an executive new proposal of $14,775 each year for a toll-free phone line. Employers could call toll-free to ask questions on procedures, payments and reporting requirements, and to request forms and instructions. This new proposal is supported with penalty and interest payments.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 UID/P & I Automation			$14,775			$14,775
2 UID Equipment R & A			15,000			15,000
3 Personal Services Reductions	(5.40)		(148,386)	(5.40)		(149,648)
Totals	(5.40)		($118,611)	(5.40)		($119,873)

2) UID Equipment Research and Analysis - The legislature accepted this executive new proposal for $15,000 each year in new equipment. Fiscal 1996 purchases would include a lap top computer, a computer work station, a color image scanner, and a printer. Fiscal 1997 purchases would include a database server and networking software. This new proposal is supported by federal funds.

3) Personal Services Reductions - The legislature accepted the personal services reductions proposed by the executive. Vacancy savings will be $42,228 in fiscal 1996 and $42,977 in fiscal 1997, or about 1 percent of total personal services. Also, 5.4 FTE (clerical positions) and associated salaries and benefits of $106,158 in fiscal 1996 and $106,671 in fiscal 1997 will be eliminated. Total personal services reductions are about 5 percent each year. This new proposal is applied against federal funds.

6602 03 00000 LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				COMMISSIONER'S OFFICE/CENTRALIZED SERVICES				
FTE	43.50	(43.50)	0.00	0.00	(43.50)	0.00	0.00	0.00
Personal Services	1,287,503	(1,287,503)	0	0	(1,287,503)	0	0	0
Operating Expenses	291,708	(291,708)	0	0	(291,708)	0	0	0
Equipment	23,576	(23,576)	0	0	(23,576)	0	0	0
Total Costs	$1,602,787	($1,602,787)	$0	$0	($1,602,787)	$0	$0	$0
Fund Sources								
Proprietary	1,602,787	(1,602,787)	0	0	(1,602,787)	0	0	0
Total Funds	$1,602,787	($1,602,787)	$0	$0	($1,602,787)	$0	$0	$0

Program Description

The Commissioner's Office/Centralized Services Division provides administration and support services to the department. The Commissioner's Office is responsible for administration of the department including: 1) provision of program direction; 2) management of human and financial resources; and 3) representation on all legislative matters. Centralized Services provides the central support functions of the department through four bureaus: 1) Accounting Bureau; 2) Information Services Bureau; 3) Budget Bureau; and 4) Personnel and Training Bureau.

House Bill 576

Removal of Proprietary Funds - Funding for this program was taken off budget as a result of the passage of HB 576, which eliminates the requirement of legislative appropriation for certain proprietary funds. Prior to the approval of HB 576, the legislature appropriated approximately $1,475,000 each year to support 37.0 FTE, and related operating expenses and equipment purchases. There are two separate cost pools in the division using completely different methods of cost allocation to determine the rates to be charged.

The smaller cost pool allocates the costs of the Data Processing Unit. Three separate formulas are used to allocate approximately $175,000 each year in costs generated by the Data Processing Unit. The first formula is for networking services and is determined by the percentage of total PCs and printers that are networked by the Data Processing Unit. The second formula is used to maintain the printer that receives mainframe jobs and is based on the percentage of historical lines of print in a given year. The third formula allocates PC support and is based on the percentage of total PCs supported. Some programs are not supported in this manner and will not incur a charge.

The main cost pool allocates all other centralized services costs. Two formulas are used to allocate approximately $1,302,000 each year. The first formula allocates building oversight costs based on a ratio of each program's on-campus FTE compared to the total number of on-campus FTE for the department. The second, and primary formula to fund centralized services costs is based on a percentage of each program's total personal services. The rates used in this budget are 6.91 percent in fiscal 1996 and 7.25 percent in fiscal 1997.

6602 04 00000 LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				EMPLOYMENT RELATIONS DIVISION				
FTE	102.25	(6.00)	3.75	100.00	(6.00)	6.25	102.50	102.50
Personal Services	2,635,984	390,181	102,640	3,128,805	404,995	178,190	3,219,169	6,347,974
Operating Expenses	1,178,141	181,853	302,634	1,662,628	132,455	248,402	1,558,998	3,221,626
Equipment	134,244	(23,679)	23,944	134,509	(29,164)	(25,400)	79,680	214,189
Benefits and Claims	324,412	(49,884)	0	274,528	(61,884)	0	262,528	537,056
Debt Service	954	(954)	0	0	(954)	0	0	0
Total Costs	$4,273,735	$497,517	$429,218	$5,200,470	$445,448	$401,192	$5,120,375	$10,320,845
Fund Sources								
General Fund	334,029	(50,030)	0	283,999	(62,030)	0	271,999	555,998
State/Other Special	3,362,685	573,595	438,655	4,374,935	532,086	395,957	4,290,728	8,665,663
Federal Special	126,068	47,625	(5,265)	168,428	51,288	(5,518)	171,838	340,266
Proprietary	450,953	(73,673)	(4,172)	373,108	(75,896)	10,753	385,810	758,918
Total Funds	$4,273,735	$497,517	$429,218	$5,200,470	$445,448	$401,192	$5,120,375	$10,320,845

Program Description

The Employment Relations Division administers and enforces state statutes and rules through a division board and five bureaus. This division includes the following functional units: 1) the quasi-judicial five-member Board of Personnel Appeals, which hears classification appeals for state government employees, grievances for employees in the departments of Transportation and Fish, Wildlife, and Parks, and wage claim appeals; 2) the Administrative Support Unit, which provides division-wide administrative support; 3) the Workers' Compensation Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlement of their disputes and obligations concerning workers' compensation issues; 4) the Labor Standards Bureau, which enforces labor laws and regulations created by state and federal governments, provides collective bargaining mediation, and serves as staff to the Board of Personnel Appeals; 5) the Safety Bureau, which administers federal and state industrial safety laws; and 6) the Workers' Compensation Regulation Bureau, which enforces state workers' compensation insurance regulations, including coverage requirements, policy compliance, medical regulations and cost containment.

Reorganization

House Bill No. 68 transferred to the Department of Commerce responsibilities for licensing and inspecting construction blasters, boiler and steam engine operators, and crane and hoist operators. These responsibilities, along with 4.5 FTE and state special revenue authority of approximately $224,000 each year, were transferred to the Professional and Occupational Licensing and the Building Codes bureaus in the Department of Commerce.

Funding

This program is funded with general, state special revenue, federal special revenue, and proprietary funds. General fund is used for silicosis and social security offset payments and related administration. State special revenue funds consist of: 1) Board of Personnel Appeals fact-finding funds; 2) fees levied on construction contractors; 3) UI admin tax; and 4) assessments to workers' compensation insurers. Federal funds are derived from: 1) coal mine safety funds; and 2) on-site consultation funds. Proprietary funds represent subsequent injury funds and uninsured employers funds.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$526,795	$542,144
2 Inflation/Deflation	10,577	5,145
3 Fixed Costs	20,943	5,616
Other Present Law Adjustments		
4 Implement New Legislation	$151,852	$151,852
5 MIS Software Redesign	28,480	0
6 Safety Culture Curriculum Development	25,221	25,422
7 Rent	12,793	12,793
8 Computer Maintenance	16,668	16,668
9 Equipment	(22,179)	(27,664)
10 Silicosis Benefits/Social Security Offset	(49,884)	(61,884)
11 HB 68-Transfer Duties to Commerce	(223,749)	(224,644)
Total Present Law Adjustments	$497,517	$445,448

Present Law Adjustments

1) Personal Services - Personal services increase due primarily to four factors: a) pay plan increases of over $35,000 per year; b) benefit increases; c) fiscal 1994 vacancy savings; and d) the addition of $25,200 each year in per diem for new committees. One-time-only FTE are reduced.

4) Implement New Legislation - Major changes to the workers' compensation laws, dealing with underinsured employers, medical cost containment, and general revisions were approved by the 1993 legislature. These changes were not fully implemented in fiscal 1994. The legislature accepted an executive proposal to increase operating expenses by $151,852 each year to achieve full implementation.

5) MIS Software Redesign - The legislature accepted an executive proposal to spend $28,480 in fiscal 1996 for redesign and query capabilities associated with the Employment Relations Division (ERD) management information system (MIS).

6) Safety Culture Curriculum Development - The legislature accepted an executive proposal to spend approximately $25,000 each year in annual operating expenses to implement the Safety Culture Curriculum Development required by SB 163 as passed by the 1993 legislature. DOLI is required to produce and distribute a safety curriculum for teaching safety topics in schools.

7) Rent - The executive proposal for an annual increase of $12,793 (to $150,370 each year) for rent at non-state facilities was accepted by the legislature.

8) Computer Maintenance - The legislature accepted an executive proposal for an annual increase of $16,668 for maintenance of computers previously covered by warranties.

9) Equipment - The legislature accepted an executive proposal for replacement equipment expenditures of $112,065 in fiscal 1996 and $106,580 in fiscal 1997, which are $22,179 and $27,664 below the base. Equipment includes computers and related equipment, safety bureau testing equipment, and replacement vehicles. Also accepted was an executive new proposal to convert the previously mentioned vehicle purchases into leases.

10) Silicosis Benefits/Social Security Offset - Benefits are paid to people who contracted silicosis on the job prior to 1959 and their beneficiaries. Social security offset payments are made to persons adversely affected by a 1974 law offsetting payments from the state 100 percent for any social security payments received for the same purpose. The law was subsequently changed to a 50 percent offset. The executive proposal for decreases of $42,872 in fiscal 1996 and $54,872 in fiscal 1997 to reflect expected decreases due to mortality was accepted by the legislature. The legislature further reduced the benefit payments by $7,012 each year to reflect that the number of people receiving the offset payment has decreased from four to two. In addition, a $3,147 reduction in administrative costs was also reflected in personal services by the legislature.

11) HB 68-Transfer Duties to Commerce - The legislature passed HB 68, which in part transfers boiler and blaster regulation responsibilities from this department to the Department of Commerce. Transferring to commerce are 4.5 FTE and workers' compensation assessment state special revenue authority of approximately $224,000 each year.

6602 04 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 W.C. Database	4.00		$272,650	4.00		$166,992
2 New Vehicle Lease			(12,912)			(13,673)
3 Independent Contractors	1.00		42,547	1.00		37,307
4 Sub Injury/Acturial Analysis						15,000
5 SB 354 Contractor Registration	3.00		267,780	5.50		337,401
6 Personal Services Reductions	(4.25)		(140,847)	(4.25)		(141,835)
Totals	3.75		$429,218	6.25		$401,192

New Proposals

1) Workers' Compensation Data Base - The legislature accepted an executive proposal to add 4.0 FTE to complete development of and operate the workers' compensation data base. Fiscal 1996 development costs of $105,452 were approved on a one-time-only basis. HB 511 passed by the 1993 legislature requires the development of a data base to generate management information about Montana's workers' compensation system. This new proposal is funded with workers' compensation insurance assessments.

2) New Vehicle Lease - As stated in the "Present Law" section, the executive proposal for replacement equipment included funds in present law to purchase vehicles, which was accepted by the legislature. In this new proposal, the executive proposed as an alternative to lease vehicles from the motor pool rather than purchase vehicles, which was accepted by the legislature. Fuel and maintenance are included in the lease payments. Fiscal 1996 expenditures will increase by $3,088 for the leases (net of fuel and maintenance cost reductions), and decrease by $16,000 for equipment. Fiscal 1997 expenditures will increase by $11,727 for the leases (net of fuel and maintenance cost reductions), and decrease by $25,400 for equipment. Net biennial savings are $26,585. This new proposal is funded with workers' compensation insurance assessments and federal funds.

3) Independent Contractors - The legislature accepted an executive proposal to add 1.0 FTE to process an increase in applications for exemptions from workers' compensation coverage. This new proposal is funded with workers' compensation insurance assessments.

4) Subsequent Injury Actuarial Analysis - The legislature accepted an executive proposal to spend $15,000 in fiscal 1997 for an actuarial analysis of the subsequent injury trust fund. This new proposal is supported with funds from the subsequent injury trust fund.

5) SB 354 - Contractor Registration - SB 354 creates responsibilities in the department for registration and enforcement of contractors. The legislature appropriated state special revenues of $267,780 for personal services for 3.0 FTE, operating costs and equipment in fiscal 1996 and $337,401 for personal services for 5.5 FTE and operating costs in fiscal 1997. Funding is to be supplied by registration fees. Initially, fees will not be sufficient to fund these activities, so the department is authorized to use a short-term loan from the employment security account. Language

was included in HB 2 clarifying the conditions of the loan (see below). The Legal Services Division also received an appropriation to implement SB 354.

6) Personal Services Reductions - The executive proposal to eliminate 4.25 FTE administrative support personnel was accepted by the legislature. This reduction results in decreased personal services of $106,080 in fiscal 1996 and $106,440 in fiscal 1997. Vacancy savings of $34,767 in fiscal 1996 and $35,395 were also accepted at the levels proposed by the executive, or about 1 percent of total personal services. This new proposal is funded with a combination of state special, federal, and proprietary revenues.

Language

"If House Bill No. 68 is not passed and approved, state special revenue in item [Employment Relations] is increased by $223,749 in fiscal year 1996 and $224,644 in fiscal year 1997." (House Bill 68 was passed and approved.)

"Funds in items [SB 354 -- Contractor registration] and [SB 354 -- Contractor registration] are contingent on passage and approval of Senate Bill No. 354. Senate Bill No. 354 provides for fees to fund the administrative and enforcement activities required of the department. If revenue from the fees is initially insufficient to fund items [SB 354 -- Contractor registration] and [SB 354 -- Contractor registration], then the department is authorized to use a short-term loan from the employment security trust account. The short-term loan must be repaid by September 30, 1996." (Senate Bill 354 was passed and approved.)

6602 06 00000

LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
				LEGAL SERVICES DIVISION				
FTE	22.00	0.00	0.65	22.65	0.00	1.15	23.15	23.15
Personal Services	756,501	46,825	24,464	827,790	50,666	42,841	850,008	1,677,798
Operating Expenses	227,008	37,641	18,019	282,668	34,941	80,186	342,135	624,803
Equipment	24,615	(4,615)	11,250	31,250	(17,415)	0	7,200	38,450
Total Costs	$1,008,124	$79,851	$53,733	$1,141,708	$68,192	$123,027	$1,199,343	$2,341,051
Fund Sources								
State/Other Special	574,192	36,472	65,181	675,845	30,541	134,642	739,375	1,415,220
Federal Special	336,803	33,374	(10,788)	359,389	28,686	(10,952)	354,537	713,926
Proprietary	97,129	10,005	(660)	106,474	8,965	(663)	105,431	211,905
Total Funds	$1,008,124	$79,851	$53,733	$1,141,708	$68,192	$123,027	$1,199,343	$2,341,051

Program Description

The Legal Services Division provides legal services to the department and conducts hearings on issues involving workers' compensation, unemployment insurance, construction contractor regulations, prevailing wage, classification appeals, and unfair labor practices. Also, the division includes the three-member Board of Labor Appeals, which hears appeals concerning the administration of Montana unemployment insurance laws.

Funding

This program is supported with state special revenue funds, federal special revenue funds, and proprietary funds. State special funds consist of fees charged to construction contractors, UI admin tax funds, and assessments to workers compensation insurers. Proprietary funds represent uninsured employers funds and indirect charges to all programs in the department.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$46,825	$50,666
2 Inflation/Deflation	(609)	(3,798)
3 Fixed Costs	13,948	11,359
Other Present Law Adjustments		
4 Consulting and Professional	$13,699	$13,699
5 Legal Fees and Court Costs	6,004	6,004
6 Elimination of Penalty Mail	4,765	4,765
7 Equipment	(4,615)	(17,415)
8 Other	(166)	2,912
Total Present Law Adjustments	$79,851	$68,192

Present Law Adjustments

1) Personal Services - Slightly over $9,000 each year is due to the pay plan increase that became effective January 1, 1995. The remainder is due to position vacancies during fiscal 1994, benefit increases, and the transfer in of 3.0 FTE in mid fiscal 1994 (personal services costs for the 3.0 FTE during the first half of fiscal 1994 were recorded in another program).

4) Consulting and Professional - The legislature authorized additional funds each year for consulting and professional services, including: a) $3,699 for bankruptcy consultants; and b) $10,000 to conduct hearings for unemployment insurance (UI) claims. The legislature denied an executive proposal to spend $7,500 for secretarial services because the

secretarial services would be used to replace 0.35 FTE eliminated in the personal services reduction new proposal.

5) Legal Fees & Court Costs - The legislature accepted the executive proposal to spend $6,004 each year to contract with the Attorney General's Office for hearings officer services and legal representation when potential conflicts of interest occur.

6) Elimination of Penalty Mail - The legislature accepted an executive proposal to cover an increase in mail expenses of $4,765 each year to reflect the United States Postal Service initiative to eliminate the use of Penalty Indicia (Eagle) envelopes. The appropriation is restricted to the payment of mail costs only.

7) Equipment - The executive proposal to spend $20,000 in fiscal 1996 and $7,200 in fiscal 1997 for replacement equipment was accepted by the legislature, resulting in reductions from the base of $4,615 and $17,415, respectively. Equipment includes seven personal computers, one printer, and a tele-conference phone.

6602 06 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 SB 354 Contractor Registration	1.00		$68,945	1.50		$138,419
2 Personal Services Reductions	(0.35)		(15,212)	(0.35)		(15,392)
Totals	0.65		$53,733	1.15		$123,027

New Proposals

1) SB 354 - Contractor Registration - SB 354 creates responsibilities in the department for registration and enforcement of contractors. The legislature appropriated state special revenues of $68,945 for personal services for 1.0 FTE, operating costs, and equipment in fiscal 1996 and $138,419 for personal services for 1.5 FTE and operating costs in fiscal 1997. Funding is to be supplied by registration fees. Initially, fees will not be sufficient to fund these activities, so the department is authorized to use a short-term loan from the employment security account. Language was included in HB 2 clarifying the conditions of the loan. The Employment Relations Division also received an appropriation to implement SB 354.

2) Personal Services Reduction - The legislature accepted the personal services reduction as proposed by the executive. Vacancy savings of $8,609 in fiscal 1996 and $8,767 in fiscal 1997 (about 1 percent of personal services) and the elimination of 0.35 FTE administrative support position ($6,603 in fiscal 1996 and $6,625 in fiscal 1997) are the result. This new proposal is funded with state special, federal, and proprietary funds.

Language

"Funds in items [SB 354 -- Contractor registration] and [SB 354 -- Contractor registration] are contingent on passage and approval of Senate Bill No. 354. Senate Bill No. 354 provides for fees to fund the administrative and enforcement activities required of the department. If revenue from the fees is initially insufficient to fund items [SB 354 -- Contractor registration] and [SB 354 -- Contractor registration], then the department is authorized to use a short-term loan from the employment security trust account. The short-term loan must be repaid by September 30, 1996." (Senate Bill 354 was passed and approved.)

6602 08 00000 LABOR & INDUSTRY Program Summary				HUMAN RIGHTS COMMISSION				
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	15.00	0.50	0.00	15.50	0.50	0.00	15.50	15.50
Personal Services	477,556	64,311	(5,792)	536,075	66,927	(5,917)	538,566	1,074,641
Operating Expenses	169,042	58,889	0	227,931	54,899	0	223,941	451,872
Equipment	19,636	(7,588)	0	12,048	(7,588)	0	12,048	24,096
Total Costs	$666,234	$115,612	($5,792)	$776,054	$114,238	($5,917)	$774,555	$1,550,609
Fund Sources								
General Fund	477,572	74,251	(4,228)	547,595	73,488	(4,319)	546,741	1,094,336
State/Other Special	0	22,000	0	22,000	22,000	0	22,000	44,000
Federal Special	188,662	19,361	(1,564)	206,459	18,750	(1,598)	205,814	412,273
Total Funds	$666,234	$115,612	($5,792)	$776,054	$114,238	($5,917)	$774,555	$1,550,609

Program Description

The Human Rights Commission is responsible for enforcement of the Montana Human Rights Act and the Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. The commission is administratively attached to the department and is responsible for enforcing laws which prohibit discrimination in employment, housing, public accommodations, financing and credit transactions, insurance, education, and government services.

Funding

This program is funded with general fund, state special revenues, and federal funds. The state special revenues come from civil penalties levied for housing discrimination, which are used for enforcement activities and from fees for photocopies and other miscellaneous services. The federal funds represent reimbursements from the Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD).

Present Law Adjustments

1) Personal Services - The main reasons for the personal services increases are: pay plan increases of over $6,000 each year are added; 2.0 FTE investigator positions were vacant for eight months during fiscal 1994; and 0.50 FTE are transferred to this program from the Centralized Services Division (fiscal 1994 personal services costs were recorded in that division).

4) Computerized Legal Research - The legislature accepted an executive proposal to increase expenses by $2,400 each year for legal research costs.

5) Rent - The legislature accepted an executive proposal for $29,421 in non DofA rent to reflect that this program has moved to private office space. Fixed costs reflect a reduction in DofA rent in excess of $10,000 each year.

6) Out-of-State Travel - The legislature approved an executive proposal to increase out-of-state travel expenses by $4,044 each year to attend Department of Housing and Urban Development (HUD) national and regional training sessions. Funding for attendance at such sessions is specifically included in the agreement with HUD.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$64,311	$66,927
2 Inflation/Deflation	28	(2,575)
3 Fixed Costs	(4,399)	(6,934)
Other Present Law Adjustments		
4 Computerized Legal Research	2,400	2,400
5 Rent	29,421	29,421
6 Out of State Travel	4,044	4,044
7 Annualize Operating Exp. for New Staff	5,588	5,588
8 Equipment	(7,588)	(7,588)
9 Housing Discrimination Enforcement	20,000	20,000
10 Other	1,807	2,955
Total Present Law Adjustments	$115,612	$114,238

7) Annualize Operating Expenses for New Staff - The legislature accepted an executive proposal to increase various operating expenses (postage, long distance charges, in-state travel, lodging, and meals) by $5,588 each year to annualize expenses for 2.0 FTE added late in fiscal 1994.

8) Equipment - The executive proposal to expend $12,048 annually for replacement computer equipment was accepted, resulting in decreases of $7,588 each year.

9) Housing Discrimination Enforcement - At the request of the Department of Labor and Industry, the legislature authorized $20,000 each year for enforcement of housing discrimination laws. Funds are from civil penalties received pursuant to section 49-2-509, MCA. This proposal was not included in the Executive Budget.

6602 08 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		($4,228)	($5,792)		($4,319)	($5,917)
Totals		($4,228)	($5,792)		($4,319)	($5,917)

New Proposals

1) Personal Services Reductions - The legislature accepted an executive proposal for vacancy savings of $5,792 in fiscal 1996 and $5,917 in fiscal 1997, or about 1 percent per year. This new proposal is funded with 73 percent general fund and 27 percent federal reimbursements received from EEOC and HUD.

6602 09 00000

LABOR & INDUSTRY Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	7.00	0.00	(1.00)	6.00	0.00	(1.00)	6.00	6.00
Personal Services	233,658	40,615	(32,435)	241,838	40,615	(32,435)	241,838	483,676
Operating Expenses	108,227	7,387	0	115,614	5,999	0	114,226	229,840
Equipment	8,113	(8,113)	0	0	(8,113)	0	0	0
Total Costs	$349,998	$39,889	($32,435)	$357,452	$38,501	($32,435)	$356,064	$713,516
Fund Sources								
State/Other Special	349,998	39,889	(32,435)	357,452	38,501	(32,435)	356,064	713,516
Total Funds	$349,998	$39,889	($32,435)	$357,452	$38,501	($32,435)	$356,064	$713,516

WORKERS COMPENSATION COURT

Program Description

The Workers' Compensation Court provides a forum for Montana employees and the insurance industry to resolve disputes arising out of work-related injuries and occupational disease. The court is attached to the department for administrative purposes.

Funding

This program is funded entirely with state special revenues from assessments made to workers' compensation insurers.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$40,615	$40,615
2 Inflation/Deflation	593	776
3 Fixed Costs	402	(527)
Other Present Law Adjustments		
4 Travel	$6,306	$6,306
5 Equipment	(8,113)	(8,113)
6 Other	86	(556)
Total Present Law Adjustments	$39,889	$38,501

Present Law Adjustments

1) Personal Services - The reasons for the $40,615 annual increase in personal services costs are a judicial professional position that was vacant during most of fiscal 1994, and pay plan increases of over $3,000.

4) Travel - The legislature accepted an executive proposal to increase travel expenses by $6,306 each year. Fiscal 1994 expenses were low due to uncertainty about the appointment of a new judge.

5) Equipment - The $8,113 annual decrease is a result of no replacement equipment being requested for the 1997 biennium.

6602 09 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions	(1.00)		($32,435)	(1.00)		($32,435)
Totals	(1.00)		($32,435)	(1.00)		($32,435)

New Proposals

1) Personal Services Reductions - The legislature accepted an executive proposal to eliminate 1.0 FTE judicial-professional position, resulting in reduced personal services of $32,435 each fiscal year. This position has been vacant since October 1993. This new proposal is funded with workers' compensation insurance assessments.

6901 00 00000

PUBLIC HEALTH & HUMAN SERVICES

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	2,743.73	20.98	(7.30)	2,757.41	19.48	(47.50)	2,715.71	2,715.71
Personal Services	82,062,768	6,331,128	(762,238)	87,631,658	6,767,453	(2,047,414)	86,782,807	174,414,465
Operating Expenses	43,590,911	1,756,927	9,984,764	55,332,602	(1,033,650)	11,375,511	53,932,772	109,265,374
Equipment	1,360,054	(248,559)	227,284	1,338,779	(486,446)	114,896	988,504	2,327,283
Grants	28,525,576	10,154,047	1,564,654	40,244,277	11,499,450	1,300,438	41,325,464	81,569,741
Benefits and Claims	439,493,672	52,962,649	10,714,880	503,171,201	79,429,171	31,085,614	550,008,457	1,053,179,658
Transfers	3,135,840	520,319	700,000	4,356,159	611,609	400,000	4,147,449	8,503,608
Debt Service	152,197	(141,819)	0	10,378	(141,819)	0	10,378	20,756
Total Costs	$598,321,018	$71,334,692	$22,429,344	$692,085,054	$96,645,768	$42,229,045	$737,195,831	$1,429,280,885
Fund Sources								
General Fund	186,607,001	26,833,408	5,336,864	218,777,273	38,412,593	4,329,928	229,349,522	448,126,795
State/Other Special	26,692,709	632,798	516,285	27,841,792	(41,591)	20,941,911	47,593,029	75,434,821
Federal Special	385,021,308	43,868,486	16,576,195	445,465,989	58,274,766	16,957,206	460,253,280	905,719,269
Total Funds	$598,321,018	$71,334,692	$22,429,344	$692,085,054	$96,645,768	$42,229,045	$737,195,831	$1,429,280,885

Agency Description

The Department of Public Health and Human Services (PHHS) was created by the 54th Legislature through passage and approval of SB 345, which reorganized public health and human services agencies. The new department administers: 1) all duties of the former Department of Social and Rehabilitation Services; 2) all duties but juvenile corrections of the former Department of Family Services; 3) mental health, chemical dependency, and special services functions of the former Department of Corrections and Human Services; and 4) public health programs of the former Department of Health and Environmental Sciences.

The department is responsible for a broad range of health and human services including public assistance programs such as Aid to Families with Dependent Children (AFDC), food stamps, and the Low Income Energy Assistance Program (LIEAP); medical assistance; child support enforcement; training and assistance to persons with developmental disabilities, blindness or impaired vision, and other disabilities; protective services for abused or neglected children and adults; community based services to enhance self-sufficiency and independence of elderly Montanans; assessment of health care needs and planning to meet those needs; maternal and child health programs including family planning, Montana Initiative for the Abatement of Mortality in Infants (MIAMI), and Women Infants and Children (WIC) and Child and Adult Care Food Program (CACFP) nutrition programs; preventive health programs; licensure and certification of certain health care facilities; mental health programs such as the Montana State Hospital, the Center for the Aged, and community programs including Managing Resources Montana (MRM); chemical dependency programs, which include in-patient alcohol and chemical dependency programs in Butte, and community services; and special services, which encompass the institutional services provided at the Montana Development Center (MDC) in Boulder, the Eastmont Human Services Center in Glendive, and the veterans' homes in Columbia Falls and Glendive. The department is authorized in section 2-15-2201 and its duties are defined in Titles 49, 50, 52, and 53.

Reorganization

Table 1 shows the programs, FTE, and biennial budgets that were transferred to create PHHS, which is the largest executive branch agency. PHHS has 2,715.71 FTE in fiscal 1997, 27 percent of the total FTE funded by the legislature in HB 2 (excluding the university system), and more FTE than any other executive branch agency. The PHHS

biennial general fund appropriation is 24 percent of the total biennial general fund appropriated in HB 2, and the total PHHS budget is 33 percent of the total biennial appropriations in HB 2.

Table 1
Agencies and Programs Combined to Form
the Department of Public Health and Human Services

		—1997 Biennium—				Percent
Agency/Program	FTE	Gen. Fund	SSR	Fed. Funds	Total	of Total
Department of Social and Rehabilitation Services						
Family Assistance Program	41.80	$36,434,787	$4,603,224	$121,511,219	$162,549,230	11.37%
Eligibility Determination	191.55	0	5,503,195	5,697,017	11,200,212	0.78%
Director's Office	13.50	440,962	138,233	677,468	1,256,663	0.09%
Child Support Enforcement	167.25	1,795,308	4,804,982	12,959,416	19,559,706	1.37%
State-Assumed County Admin.	198.35	6,894,943	0	6,917,452	13,812,395	0.97%
Medical Assistance	63.50	179,357,648	16,657,258	528,977,857	724,992,763	50.72%
Telecomm. Devices for the Deaf	3.00	0	1,410,774	0	1,410,774	0.10%
Operations and Technology Div.	66.50	9,241,160	3,010,315	16,059,179	26,310,654	1.98%
Vocational Rehabilitation Division	71.50	4,837,491	384,174	18,003,280	23,224,945	1.62%
Disability Determination Program	40.00	0	0	6,546,329	6,546,329	0.46%
Visual Services Division	18.25	670,966	0	2,353,897	3,024,863	0.21%
Developmetnal Disabilities Div.	76.75	39,834,334	0	58,494,508	98,328,842	6.88%
Dev. Disab. Planning/Advisory Ccl.	2.00	0	0	840,857	840,857	0.06%
Sub-Total SRS	953.95	$279,507,599	$36,512,155	$779,038,479	$1,095,058,233	76.62%
Department of Family Services						
Management Support Services	31.00	$5,108,084	$30,000	$3,345,694	$8,483,778	0.59%
Regional Administration	329.70	14,849,084	2,034,154	6,998,589	23,881,827	1.67%
Program Management Division	28.00	29,521,220	3,961,093	36,412,426	69,894,739	4.89%
Sub-Total DFS	388.70	$49,478,388	$6,025,247	$46,756,709	$102,260,344	7.15%
Department of Corrections and Human Services						
Central Operations*	13.00	$2,117,553	$245,402	$1,567	$2,364,522	0.17%
Mental Health	624.67	78,522,446	21,069,231	3,588,477	103,180,154	7.22%
Chemical Dependency	51.35	0	5,157,245	6,756,665	11,913,910	0.83%
Special Services	530.07	31,292,860	4,642,043	2,638,123	38,573,026	2.70%
Sub-Total DCHS	1,219.09	$111,932,859	$31,113,921	$12,984,832	$156,031,612	10.92%
Department of Health and Environmental Sciences						
Director's Office/Central Services**	0.00	$46,567	$0	$0	$46,567	0.00%
Health Services Division	41.47	3,376,600	1,783,498	3,093,394	8,253,492	0.58%
Family/MCH Bureau	31.00	2,142,531	0	51,009,988	53,152,519	3.72%
Preventive Health Bureau	32.50	272,000	0	9,077,003	9,349,003	0.65%
Health Facilities Division	49.00	1,370,251	0	3,758,864	5,129,115	0.36%
Health Care Authority ***	0.00	0	0	0	0	0.00%
Sub-Total DHES	153.97	$7,207,949	$1,783,498	$66,939,249	$75,930,696	5.31%
Total Department of Public Health and Human Services	2,715.71	$448,126,795	$75,434,821	$905,719,269	$1,429,280,885	100.00%

*Partial program transfer.
**Partial program transfer. Portions of these programs were transferred to the new Department Environmental Quality. HB 576, which took certain proprietary funded functions "off budget", removed 16.0 FTE and about $840,000 of proprietary funds from HB 2 each year of the biennium.
***The Health Care Authority (HCA) was not continued by the legislature. HB 511 eliminates the HCA and replaced it with the Health Care Advisory Council, which was transferred to the Operations and Technology Division of SRS.

Nearly half of the PHHS employees were transferred from programs and functions administered by DCHS, due in large part to the transfer of several state institutions (the State Hospital, Center for the Aged, Montana Development Center, and Eastmont Human Services Center). More than three quarters of the PHHS biennial budget was transferred from SRS, largely due to the Medicaid Program, which accounts for 51 percent of the total biennial department budget and 17 percent of the total biennial funding included in HB 2.

Summary of Legislative Action

The PHHS budget increases 15.7 percent from fiscal 1994 to fiscal 1996 and 23.2 percent to fiscal 1997. Increases in benefit and grant appropriations account for 80 percent of the growth in fiscal 1996 and 88.8 percent in fiscal 1997. Present law adjustments add $168 million ($65.2 million general fund) over the biennium and new proposals add $64.7 million total funds and $9.7 million general fund. General fund supports a smaller share of new proposals than present law adjustments, because $2.1 million of general fund savings are included in fiscal 1997 due to mental health managed care, and some of the new proposals are funded entirely from federal funds.

FTE increase by a net of 13.68 in fiscal 1996 and decrease by 28.02 in fiscal 1997. FTE change due to: 1) personal services reductions that eliminate 36.4 FTE each year; 2) a present law adjustment that eliminates 17.3 FTE in fiscal 1997 due to Montana Development Center campus consolidation construction; 3) human services reorganization that adds 11.0 FTE in fiscal 1996 and removes 14.0 FTE in fiscal 1997; 4) a present law adjustment that adds 12.0 child support enforcement FTE approved by the 1993 legislature and added in fiscal 1995; 5) a new proposal that adds 9.0 new social worker FTE in fiscal 1996 and 14.0 in fiscal 1997; 6) new proposals to expand public health education and services for diabetes control, local immunizations, breast and cervical cancer prevention, and lead abatement that add 6.5 FTE each year; 7) increased staffing at state institutions that adds 6.45 FTE in fiscal 1996 and 1.45 FTE in fiscal 1997; and 8) other adjustments that add a net of 5.13 FTE in fiscal 1996 and 5.73 FTE in fiscal 1997.

Benefits

Tables 2 and 3 compare benefit appropriations to base budget benefits expenditures by program. Benefit appropriations increase 14.5 percent from the base to fiscal 1996 and 25.1 percent to fiscal 1997, while the general fund share increases 16 percent from the base budget to fiscal 1996 and 25.6 percent to fiscal 1997. General fund grows more rapidly than total funds due to: 1) SB 83, which reallocated some fee and tax revenues from the state special revenue fund to general fund; and 2) an increase in the state match rate for large public assistance and medical benefit programs.

Table 2
1997 Biennium Benefit Appropriations Compared to the Base Budget

Program	Fiscal 1994 Base Budget	Fiscal 1996	FY96 (Under) Over FY94	Fiscal 1997	FY97 (Under) Over FY94	Annual Rate of Change FY94-97
Medical Assistance	$296,610,440	$341,882,564	$45,272,124	$362,319,291	$65,708,851	6.90%
Family Assistance*	68,402,557	73,874,883	5,472,326	76,475,739	8,073,182	3.79%
Developmental Disabilities	36,144,005	45,452,968	9,308,963	47,356,512	11,212,507	9.42%
Program Management (Foster Care)**	23,303,177	23,354,007	50,830	24,241,119	937,942	1.32%
Mental Health	0	0	0	20,773,720	20,773,720	N/A
Vocational Rehabilitation	7,256,876	8,708,526	1,451,650	8,926,105	1,669,229	7.14%
Family/MCH Bureau	6,913,950	8,973,475	2,059,525	8,973,475	2,059,525	9.08%
Visual Services	795,323	850,720	55,397	868,438	73,115	2.97%
Disability Determination	67,344	74,058	6,714	74,058	6,714	3.22%
Total	$439,493,672	$503,171,201	$63,677,529	$550,008,457	$110,514,785	7.76%
Biennial Change					$174,192,314	

*Includes indigent relief program for Deer Lodge County.
**Foster care benefits base budget includes $3,762,575 expended for juvenile corrections benefits. The legislature allocated the 1997 biennium foster care budget between abuse/neglect functions and juvenile corrections. Juvenile corrections functions were transferred to the Department of Corrections.

Table 3
1997 Biennium General Fund Benefits Appropriations
Compared to the Base Budget

Program	Fiscal 1994 Base Budget	Fiscal 1996	FY96 Over (Under) Base	Fiscal 1997	FY97 Over (Under) Base	Annual Rate of Change FY94-97
Medical Assistance	$65,487,835	$82,076,400	$16,588,565	$90,887,254	$25,399,419	11.54%
Developmental Disabilities	15,266,296	18,227,637	2,961,341	19,376,904	4,110,608	8.27%
Family Assistance*	15,045,559	16,594,097	1,548,538	16,671,011	1,625,452	3.48%
Program Management (Foster Care)**	15,353,073	11,734,248	(3,618,825)	12,426,810	(2,926,263)	-6.81%
Vocational Rehabilitation	1,362,280	1,888,625	526,345	1,964,483	602,203	12.98%
Visual Services	182,959	194,118	11,159	198,732	15,773	2.79%
Total	$112,698,002	$130,715,125	$18,017,123	$141,525,194	$28,827,192	7.89%
Biennial Change					$46,844,315	

*Includes indigent relief program for Deer Lodge County.
**Foster care benefits base budget includes $3,709,149 expended for juvenile corrections benefits. The legislature allocated the 1997 biennium foster care budget between abuse/neglect functions and juvenile corrections, accounting for the reduction in general fund between the fiscal 1994 base budget and 1997 biennium appropriations. Juvenile corrections functions were transferred to the Department of Corrections in SB 345.

Medical assistance benefits increased the most, adding $111 million ($42 million general fund) over the biennium. De-earmarking nursing home bed tax revenues accounted for $13.3 million of the biennial general fund increase. Total medical assistance benefits grew at a compounded annual rate of 6.9 percent from the base budget to fiscal 1997, while general fund support increased at an annual rate of 11.5 percent.

Grants

Table 4 compares base budget grant expenditures to the 1997 biennium appropriations. Grant appropriations increase $24.6 million ($16.9 million general fund) over the biennium. While total funds increase at an annual rate of 13.2 percent from the base budget to fiscal 1997, general fund increases 29.4 percent.

Mental health grants show the largest increase, rising at an annual compounded rate of 28.7 percent for total funds and 33.9 percent for general fund. Fiscal 1994 base budget expenditures for the Managing Resources Montana Program (MRM), which is administered by the Mental Health Program, were recorded in three other departments--SRS, DFS, and the Office of Public Instruction. Appropriation authority was transferred from these departments to MRM to support $5.0 million of general fund benefit expenditures in fiscal 1994. Since base expenditures are reflected in the agency with the appropriation authority, the base budget for the Mental Health Program does not include the $5 million in benefit expenditures. Taking into account the $5 million general fund, the legislature appropriated an additional $3 million general fund more each year for the MRM program. General fund grant increases in mental health are greater than total funding changes since federal mental health grant funds decrease about $47,000.

Major Policy Initiatives

The legislature authorized three major executive policy initiatives: 1) welfare reform; 2) mental health managed care; and 3) physical health managed care.

Table 4
Base Fiscal 1994 Grant Expenditures Compared to
1997 Biennium Appropriations

Funds/Program	Base Budget Fiscal 1994	Fiscal 1996	FY96 (Under) Over FY94	Fiscal 1997	FY97 (Under) Over FY94	Annual Rate of Change 94-97
Total Funds						
Family/MCH Bureau	$11,028,012	$12,847,722	$1,819,710	$13,913,352	$2,885,340	8.05
Mental Health	7,293,551	15,275,456	7,981,905	15,631,592	8,238,041	28.65
Program Management (Aging/Foster Care)	7,430,557	8,464,303	1,033,746	8,223,926	842,926	3.44
Chemical Dependency	2,334,619	3,168,810	834,191	3,168,608	833,989	10.72
Health Services Division	393,352	461,050	67,698	461,050	67,698	5.44
Preventive Health Bureau *	16,759	0	(16,759)	0	(16,759)	N/A
Total Funds	$28,496,850	$40,217,341	$11,720,491	$41,298,528	$12,851,235	13.17
Biennial Difference					$24,571,726	
General Fund						
Mental Health**	$5,923,374	$13,952,383	$8,029,009	$14,208,423	$8,285,049	33.86
Program Management (Aging/Foster Care)	1,378,351	1,653,409	275,058	1,653,412	275,061	6.25
Family/MCH Bureau	25,988	26,048	60	26,048	60	0.08
Total General Fund	$7,327,713	$15,631,840	$8,304,127	$15,887,883	$8,560,170	29.43
Biennial Difference					$16,864,297	

*Federal Preventive Health Block Grant funds mandated for rape prevention education were increased by $4,477 each year and moved from grants to contracts with non-profits.
**The fiscal 1994 base does not include MRM expenditures of $5,046,995 that were recorded in the DFS, SRS, and Office of Public Instruction general fund benefit appropriations.

Executive Welfare Reform Proposal

The legislature approved the executive welfare reform proposal -- Families Achieving Independence in Montana (FAIM) -- adding a net increase of $8.3 million total funds ($2.2 million general fund) over the biennium. Increased administrative costs account for $4.9 million of the expansion and benefits increase a net of $3.4 million. The net general fund impact of FAIM is $1.5 million, taking into account increased child support enforcement collections that the executive estimated will be deposited to the general fund.

Table 5 shows the FAIM appropriation. There are four total amounts shown in Table 5: 1) the first total shows the increase in administrative costs for all programs; 2) the second total shows the net increased benefits cost, including reductions in medicaid benefits; 3) the third total is the net appropriation increase; and 4) the fourth total shows the net general fund impact, including the general fund revenue due to enhanced child support enforcement.

There are several key provisions of FAIM: 1) the Pathways Program, similar to the current AFDC program; 2) Community Service; and 3) the Job Supplement Program. Additional program elements that are not in and of themselves separate components are: 1) benefit changes including reduced medicaid benefits for AFDC adults; 2) eligibility criteria changes to the AFDC program; 3) enhanced child support enforcement; and 4) a change in the culture of the welfare office from one of eligibility determination to helping families avoid AFDC, or helping them to understand the temporary nature of the program and access services to leave the system as rapidly as possible.

Pathways Program - The Pathways Program is a time limited benefit program for persons eligible for AFDC, with certain exceptions such as adults with mental or physical disabilities, children under 1 year of age, or no access to child care. Exemptions are also granted to an individual who is homeless or the victim domestic abuse. Applicants must complete a Family Investment Agreement (FIA) that specifies what they will do to attain self sufficiency. Although FIA's will differ among families, all applicants must agree to: 1) complete information necessary to pursue child support enforcement; 2) agree to comply with child health care standards equivalent to those required by schools; and 3) identify all information regarding health insurance that members of the family may receive.

If families violate provisions of the FIA without good cause, they will be sanctioned by losing a portion of the AFDC grant. After 24 months for single parent families and 18 months for two parent families, adults must complete 20 hours of community service to continue receiving full AFDC benefits. The time limits are lifetime limits. If a family uses 24 months of AFDC, leaves the program, and then returns, the family must perform 20 hours of community service to receive benefits.

Community Service - Each community can establish its own community service program, which could include secondary education as an allowable activity. If parents fail to complete 20 hours of service (without good cause), they will lose the adult portion of the AFDC grant. Families will continue to receive full AFDC benefits if there is no community service available.

Job Supplement Program (JSP) - If a family is eligible to receive AFDC, but chooses not to, it will be provided with sliding fee child care, some medical assistance, food stamps, and enhanced child support enforcement activities. Families opting for JSP may receive a one-time employment supplement payment to offset emergency situations and help them keep their job. In exchange for the payment, families agree to not apply for or receive cash assistance for two months for every one month of assistance received. The department may specify through rule the maximum one-time cash assistance amount and the length of time the family agrees to remain off public assistance.

Table 5
1997 Biennium
Welfare Reform Appropriations

Program/Funding	Gen. Fund	Total
Administrative Costs		
Family Assistance Program	$1,031,541	$2,248,082
Child Support Enforcement	622,436	1,830,690
Non-Assumed Counties	0	61,030
Assumed Counties	65,006	130,013
TEAMS Contract	182,700	365,400
Computer/Data Costs	71,612	314,203
Total Administrative Costs	$1,973,295	$4,949,418
Benefit Costs		
AFDC Caseload Growth	$620,457	$2,213,716
Child Care	506,828	1,697,496
JOBS Benefits	0	1,679,424
Medicaid Benefits	(913,344)	(2,209,783)
Total Benefit Costs	$213,941	$3,380,853
Net Appropriation Increase	$2,187,236	$8,330,271
General Fund Revenue from Child Support Collections*	($607,055)	($607,055)
Net General Fund Impact*	$1,580,181	$7,723,216

*Child support enforcement general fund revenues are shown as reductions to general fund expenditures since revenue increases offset general fund expenditures.

Benefits and Eligibility Changes - FAIM includes several changes to benefit levels and eligibility determination. First, all able-bodied, employable adults will be given a choice in medicaid benefits: 1) a benefit package that does not include optional services such as eye glasses, dental, physical, occupational, or speech therapy, or hearing aides; 2) mandatory participation in an HMO (health maintenance organization) where one exists; or 3) payment of a portion of the premium for an insurance policy. (However, pregnant recipients will be entitled to full medicaid benefits.) Second, several eligibility and resource criteria will be changed: 1) the value of one vehicle will be excluded (currently a family is ineligible for AFDC if it owns a vehicle valued above $1,500 or with equity value above $1,500); 2) the 100-hour rule will be eliminated (two parent households are ineligible for AFDC if the primary wage earner works more than 100

hours in a month); and 3) the resource limit will be raised to $3,000 for all programs (the AFDC resource limit is $1,000). The legislative funded an additional 177 AFDC cases in fiscal 1996 and 327 in fiscal 1997 due to changes in eligibility and resource tests based on the executive estimate.

Enhanced Child Support Enforcement - Pathways and Job Supplement applicants will receive priority child support enforcement (CSE). Seven CSE workers will be stationed in county offices to assist eligibility staff and applicants in providing the necessary CSE information. The executive estimates that AFDC child support collections will increase $3.6 million annually, once the program is fully implemented.

Change the Culture of Welfare Offices - One of the major elements of the FAIM proposal is to change the focus of county workers from one of eligibility determination to one of helping families avoid AFDC or become independent of AFDC as rapidly as possible. A key component of FAIM is "retooling" the front line workers, including education and training to help them acquire knowledge and skills.

The department obtained waivers (releases from compliance with specific federal regulations) to implement changes to AFDC and medicaid, in order to implement the proposal. One of the conditions for federal approval of reform packages is that the program must be cost neutral to the federal government. If it is later determined that programs are not cost neutral, the state must fund 100 percent of the additional cost, including the federal share which ranges from 50 percent of administrative costs to about 70 percent of benefit costs. Cost neutrality will be determined over eight fiscal years, beginning in fiscal 1996. Department staff presented cost projections showing that there will be an initial cost increase during the 1997 biennium followed by reductions in AFDC caseloads that offset initial cost increases.

Mental Health Managed Care

The legislature passed SB 223 to implement the executive mental health managed care proposal. While initial plans called for implementation by May 1996, implementation will be delayed until fiscal 1997 (July 1, 1996). Major points of the mental health managed care are: 1) establish medicaid eligibility for mental health benefits for families and persons with incomes at or below 200 percent of the federal poverty level; 2) determine eligibility by income only (no resource limits will be imposed); 3) charge families with higher incomes for services based on a sliding fee scale; and 4) include services to adults and children. Due to reorganization of public health and human services agencies, all programs included in the mental health managed care contract are administered by PHHS.

Program functions and funding that will be included in the contract are: 1) medicaid mental health expenditures; 2) community mental health center expenditures; 3) certain Montana State Hospital (MSH) and Center for the Aged expenditures; 4) Managing Resources Montana expenditures for medicaid-eligible youth; and 4) therapeutic group home and, potentially, therapeutic foster care expenditures.

The legislature approved a new proposal that reduced general fund by $2.1 million in fiscal 1997 due to savings from mental health managed care. The new proposal represents anticipated savings from all programs. As with the FAIM proposal, PHHS will need waivers from federal agencies to implement mental health managed care, and managed care must be cost neutral to the federal government.

According to the 1990 census, 40 percent of the Montana population had incomes at or below 200 percent of the federal poverty level. Therefore, eligibility changes will expand the number of families eligible to receive medicaid funded services. However, drug benefits will be limited for families above the regular medicaid eligibility criteria.

The managed care contract will require the contractor to purchase services from the MSH. MSH will be guaranteed payment for a certain number of bed days with the number of reimbursed bed days gradually declining over several years. The legislature added $20 million of state special revenue to partially fund MSH since the contractor will

purchase services. However, the legislature maintained the general fund appropriation for MSH, which will be used to partially fund the mental health managed care contract.

HMO Managed Care

The legislature accepted the executive proposal to implement a contract to expand physical health managed care. The legislature appropriated $2.3 million over the biennium to support contract administration and reduced benefit expenditures by $3.9 million, resulting in a net general fund reduction of $0.1 million. Currently, PHHS manages the Passport Program, a "gate keeper" type of managed care where doctors and other approved providers are paid a monthly per-patient fee to administer and manage care for each enrolled patient.

PHHS entered into a contract that will be in effect until June 30, 1997 to administer the HMO and Passport managed care programs. The contractor will: 1) advise the department on the services that ought to be included in an HMO contract; 2) actuarially determine HMO payment rates; 3) recruit and retain HMO and Passport providers; 4) enroll recipients in managed care; 5) perform quality assurance and utilization reviews; and 6) conduct policy analysis. HMO's will be paid on a per month per member basis (capitation rate) for health services. Rates will be based on the age of the medicaid recipient, the category of eligibility, and the services to be provided. Rates will be actuarially determined from the current fee-for-service medicaid data base. Federal regulations specify that HMO costs must be less than comparable fee-for-service costs.

The managed care contractor will be required to offer HMO enrollment to 10 percent of medicaid recipients (6,500) by June 1, 1995, 20 percent (13,000) by June 30, 1996, and 60 percent by June 30, 1997. PHHS estimated that 10 percent (1,950) of the recipients offered the choice of an HMO in fiscal 1996 will opt for the plan and about 30 percent (11,700 recipients) will choose an HMO in fiscal 1997.

As of December 1994, the executive indicated that the following groups of medicaid recipients and the appropriations for these services will not be included in the managed care contract: medically needy, elderly and disabled waiver recipients, persons who are eligible for both medicaid and medicare, persons in institutional care, including nursing homes, and recipients with substantial third party payment sources such as health insurance. If the HMO model is fully implemented, there would still be about 20 percent of the medicaid population in fee-for-service care. PHHS staff note that certain services will not be included in physical health managed care, including: mental health, transportation, waiver services, nursing homes, and possibly drugs.

SB 388 established an integrated medicaid managed care program and requirements for managed health care entities. The department must prepare an annual report on the effectiveness of the standards on ensuring access and quality of care to enrollees. The department may not expand eligibility requirements unless authorized by the legislature. The Legislative Auditor is directed by SB 388 to oversee all aspects of the managed care system.

Language

"If Senate Bill No. 345 is passed and approved, the department shall solicit proposals to establish a local structure to administer and coordinate human services programs. To the extent feasible and permitted by federal law, the proposal must include administration of all of the programs transferred to the Department of Public Health and Human Services. The department shall accept one or more proposals as a demonstration project, with an anticipated beginning date of July 1, 1996. Funding for the demonstration project must be taken from appropriations authorized in [this act]. If Senate Bill No. 345 is passed and approved, the department shall create an advisory committee to assist in the preparation of a report to the 55th Legislature on the feasibility of expanding the demonstration proposal to establish local administration and coordination of human services programs. The report must contain a preliminary evaluation of the demonstration project described above."

"The legislature intends that expenditures for all provider rate increases approved by the legislature be limited to the dollar amounts appropriated rather than the percentage increase on which the original estimates may have been based. The department will be in compliance with this provision if: (1) it estimates total cost for each medicaid service category in June prior to the beginning of each fiscal year of the 1997 biennium; and (2) the percentage increase or base adjustments approved by the department are limited to the dollar amount appropriated for each provider rate increase."

"The department shall prepare a unified budget for the Interagency Coordinating Council on prevention of child abuse and neglect. The unified budget must identify services funded, expenditures by service in fiscal year 1996, and preliminary amounts budgeted by service and fund type from the Department of Family Services, Office of Public Instruction, Board of Crime Control, Department of Health and Environmental Sciences, Department of Labor and Industry, and Department of Social and Rehabilitation Services. A preliminary budget must be presented to the Joint Oversight Committee on Children and Families, the Legislative Finance Committee, and the Office of Budget and Program Planning by September 1, 1996. The unified budget must be published in the governor's budget request to the 55th Legislature."

"The department may add FTE instead of contracting for services if it certifies to the Office of Budget and Program Planning that FTE are more cost-effective than contracting. FTE added through this language may not be included in the 1999 biennium base budget."

"The department shall notify the parents, legal guardians, or caretakers of the children of male and female prisoners in the state of Montana of the state services available to children and families. Services provided by the department and the Department of Corrections and Human Services must be listed and explained. Notification may be waived if the children of prisoners do not reside in Montana."

"During the 1997 biennium, the department shall:

(1) by July 1, 1996, develop and implement a consolidated contract for all health care grants;

(2) by October 1, 1995, revise and update the maternal and child health (MCH) rules to reflect the current block grant legislation with the amendments to the federal Omnibus Budget Reconciliation Act of 1989. The rules must address the local match requirement. The department shall also establish a core set of MCH services. The department shall ensure that MCH block grant funds are not used for noncore services unless each core service is ensured or unless the entity receiving the grant has demonstrated through a formal needs assessment process that the core service not being provided is not needed. The rules must address medicaid billing and reimbursement and must contain a provision that all MCH block grant money be spent on MCH services and that it not be used to supplant local funds.

(3) explore all opportunities for maximizing medicaid revenue, including requiring local health units to bill medicaid for reimbursable services and using available general fund and state special revenue appropriations to match medicaid funds for state-level activities. If necessary, the department of social and rehabilitation services shall assist the department and local health units in maximizing medicaid revenue. By October 1, 1995, department rules must require that MCH block grant funds be provided only if an effective method of maximizing medicaid revenue has been established by the receiving entity; however, this requirement does not apply if an entity has determined and demonstrated that billing medicaid is not cost-effective.

(4) use priority setting in the disbursement of MCH block funds. By October 1, 1995, rules and formulas for distribution of funds to local entities must be revised to give the opportunity to help those counties, regions, or communities with the least resources, largest proportions of underserved families, and most serious maternal and child health problems, as identified by objective health indicators and community needs assessments. The MIAMI project and other public health programs must be operated in a similar manner.

(5) by October 1, 1995, require local health agencies to assume more responsibility for outreach and education for services to clients of such related state programs as passport; family support programs; and early periodic screening, diagnosis, and treatment (EPSDT);

(6) by October 1, 1995, ensure that the majority of local health care agencies bill medicaid for the provision of immunizations and well child visits/EPSDT; and

(7) on July 1, 1995, and every 6 months thereafter, file status reports with the members of the human services subcommittee on appropriations and with the legislative fiscal analyst regarding the six requirements provided above. At a minimum, the reports must address:

(a) progress in implementing these requirements;
(b) the amount of additional medicaid money the department has been able to access and an explanation of how and where that money is being used; and
(c) an explanation of the progress that the department expects to achieve during the next 6-month and 12-month periods."

Other Legislation

House Bill 5 - HB 5 provides authority for various capital projects at Center for the Aged, Montana Developmental Center, Montana Veterans' Home and Montana State Hospital. For more information on HB 5, see the Long-Range Planning section of Volume II of the Appropriations Report.

House Bill 65 - HB 65 revises the laws governing commitment to residential facilities for persons who are seriously developmentally disabled and establishes criteria for persons to be committed to a residential facility.

House Bill 150 - HB 150 revises some of the duties and requirements of convening youth placement committees to advise PHHS and the Department of Corrections (DOC) on placement of youth committed to the departments. Youth placement committees must: 1) be convened prior to commitment of a youth to the department; 2) review foster care placements at least semiannually; and 3) must consider options for financial support of the youth. Department staff testified that youth placement committees should be instrumental in identifying funding sources such as parental contributions and federal programs to offset foster care and juvenile corrections placement costs paid fully from the general fund.

House Bill 240 - HB 240 establishes a 17 member commission, including 4 legislators, to study the juvenile justice and juvenile mental health systems and report to the 55th Legislature. The study will be funded by a grant from the Board of Crime Control. The bill directs the commission to undertake: 1) a comprehensive review of past and present programs, including programs in other states and nations; 2) development of a juvenile justice and mental health treatment continuum that provides for community protection, youth accountability, and reintegration of youth into the community; 3) definition of responsibilities of DOC and other government agencies working with youth; and 4) a review of each state youth correctional facility and of each detention facility operated by the state, including the feasibility of privatizing each facility.

House Bill 245 - The department provides child care benefits to families who are at-risk of becoming eligible for AFDC and need child care in order to continue to work. This bill adds language that child care benefits cannot be provided to families with incomes above 133 percent of the federal poverty level. The bill also clarifies what the department shall take into consideration when establishing exemptions for AFDC recipients participation in the JOBS program. Previously, an AFDC recipient was exempt if the recipient had a child under 3 years of age or worked less than 30 hours per week. HB 245 removes the 3 year age and 30 hour employment limits and adds language that the recipient could be exempted if the recipient has a child of a very young age or is working. The department estimated that there would be no fiscal impact due to this change, since federal participation in at-risk day care benefits is capped.

House Bill 337 - HB 337 directs the Legislative Auditor to participate with the federal Department of Health and Human Services to jointly audit the medicaid program. Audit costs are considered direct costs of the state agency or program subject to audit. The legislature did not provide additional funding to conduct medicaid audits. The fiscal note accompanying HB 337 noted that the Legislative Auditor was unable to estimate cost savings due to potential audits, but that federal officials noted that other states had experienced savings due to medicaid audits.

House Bill 385 - HB 385 revises certain statutes governing child support enforcement and authorizes the sale of child support debts owed to the state. Sale proceeds must be deposited to the child support state special revenue account. HB 385 did not have a fiscal note so there is no estimate of the potential revenue available due to sale of child support debt.

House Bill 484 - HB 484 directs the department, if sufficient private and federal funds are available, to contract with the Legislative Auditor to conduct a study of the feasibility of converting medicaid benefits to private insurance policies. The Legislative Auditor must advertise for a private consultant to perform the study, which must include an analysis of: services, benefits or coverage provided by the policy; the feasibility of establishing medical savings accounts in conjunction with private coverage; the feasibility of private employers assuming policy payments for medicaid recipients hired as employees; and whether waivers from federal medicaid requirements would be needed to implement private policy options. The Legislative Auditor shall report the study results on or before October 1, 1996. Upon completion of the study and upon determination of cost-effectiveness, the department shall: 1) design a medical savings account for the purchase of liability insurance for medicaid recipients; and 2) apply for a medicaid waiver to purchase disability insurance and implement medical savings accounts. The legislature did not make an appropriation to fund the study required by HB 484, but the department estimated that the study would cost $250,000, with 50 percent of the cost supported by federal funds.

House Bill 504 - HB 504 authorizes the department and the Department of Labor and Industry to design, through rule, a program whereby a person with a disability can arrange and direct the use of a personal assistant, as though the person were the employer, although the personal assistant is the employee of another person or entity. The department is not required to provide self-directed personal care services under the medicaid program and the department is not prohibited from determining the amount, scope, or duration of personal assistant services. The department estimated that HB 504 would result in benefit savings of $61,500 total funds ($18,600 general fund) each year of the biennium. The legislature did not specifically reduce medicaid benefits due to HB 504, since other benefit reductions totalling $4.4 million over the biennium were made to the Medicaid Program.

House Bill 511 - HB 511 dissolves the Health Care Authority and replaces it with a 10 member council to continue a public-private partnership to develop health care reform initiatives to be presented to the 1997 legislature. Council membership includes: 1) 4 members of the legislature chosen by the Speaker of the House and President of the Senate; 2) 5 members, one from each health care region established by HB 511, chosen by the Governor; and 3) 1 member appointed by the Governor to represent the executive branch of state government.

The 10-member council must monitor and evaluate implementation of recent health care reform initiatives, including small group insurance reform, implementation of medicaid managed care, tort reform, changes to the antitrust statutes, voluntary purchasing pools, and the efficiency of the certificate of need process, and report its findings to the Governor and legislature by October 1, 1996. The council is administratively attached to PHHS, which must provide staff support for the council. The Montana Health Care Authority, established and funded during the 1995 biennium will transfer its documents and research findings to the council.

HB 511 also directs PHHS to design and develop a health care data base to assist in developing and monitoring the progress of incremental health care reform measures. The data base must include information on health care resources and the cost and quality of health care services. The department must recommend to the 55th Legislature the actions needed to establish the data base, an estimate of the fiscal impact on state and local government, health care providers, health insurers, health care facilities, and private entities.

House Bill 539 - HB 539 amends the youth access to tobacco products control act. This bill revises the penalties for selling tobacco to youth and for selling single cigarettes. HB 539 authorizes the assessment and collection of tobacco education fees from retailers that violate the tobacco control laws. Funds collected under HB 539 are statutorily appropriated to defray the costs of implementing this bill.

House Bill 542 - This bill, which sunsets September 30, 1996, was enacted to increase the state's ability to prevent health problems and to focus available public resources on those health threats determined to be priorities in local communities specifically and the state generally. The Montana Public Health Improvement Task Force is created to prepare a public health improvement plan to be submitted to the Governor and the legislature. HB 542 also requires to department to implement grants to counties or regions for public health improvement demonstration projects.

No specific appropriations were given to implement HB 542, but several potential funding options exist. If preventive health block grant funds actually awarded exceed appropriations, the excess could be used for this purpose and added through a budget amendment. The department is examining the possibility of requesting a special grant from the Center for Disease Control that would also require a budget amendment. A $300,000 biennial appropriation in HB 2 for the Health Services Division could possibly be used to fund demonstration project grants if the projects implement local health care services.

House Bill 578 - HB 578 makes the Joint Oversight Committee on Families and Children a permanent interim committee. The committee is directed to: 1) examine public and private programs for children and families to identify duplication, inefficiency, and any unmet needs within those programs; 2) review federal, state, local, and private funds for programs for families and children to maximize overall funding for existing and new programs; 3) monitor interagency coordination and study ways to improve coordination and collaboration among public and private human services providers; and 4) provide a written report of findings to each regular legislature. The committee, composed of 4 house members and 4 senate members, had been authorized for two previous biennia. The bill also includes a $12,000 general fund appropriation to support committee activities.

House Bill 591 - This legislation creates a statewide trauma care system, an emergency medical services advisory counsel, a trauma care committee, and regional trauma care advisory committees. The department, with input from the new committees, must develop a statewide trauma care plan, a state trauma register, and a statewide trauma care system involving all health care facilities and emergency medical services within the state. No specific appropriation was provided to implement HB 591.

House Bill 594 - HB 594 authorizes the construction of a new Montana State Hospital in Warm Springs. For more information, see the Long Range Planning section of Volume II of the Appropriations Report.

Senate Bill 55 - SB 55 clarifies non-assumed counties' responsibility for protective services administrative costs. SB 55 limits county contributions to a portion of salaries, travel, and indirect costs of protective services workers. Previous to the 1995 legislative session, an Attorney General's opinion concluded that non-assumed counties were responsible for other administrative costs as well, including rent, equipment, and communications. The legislature added $307,272 general fund and $63,382 federal funds each year of the biennium to implement SB 55.

Senate Bill 84 - SB 84 revises the services provided by the Montana Chemical Dependency Center (MCDC). Under this bill, MCDC will no longer provide detoxification services on an emergency basis, it will however, provide a comprehensive, coordinated program for the treatment of chemically dependent persons. As a result of SB 84, the legislature eliminated 3.5 FTE and reduced alcohol tax funding in the Chemical Dependency Division by $122,681 in fiscal 1996 and $123,209 in fiscal 1997.

Senate Bill 158 - SB 158 sets forth state policy regarding programs for the elderly and persons with disabilities. The legislature determined that these persons should be able to live as independently as possible and that state programs for these persons should encourage development of services that allow them to live as independently as possible. The

department and DOC are directed to cooperate in the development, implementation, and coordination of state programs to foster efficient and cost-effective financing, service delivery, intake, eligibility assessment, and other measures. PHHS, and the Departments of Corrections, Labor and Industry, and Commerce shall prepare a report to the 55th Legislature on the implementation of long-term care reform, including any suggested legislation. The report must address reform of licensing for facilities and professions.

Senate Bill 174 - SB 174 revises statutes governing the local citizen foster care review boards, established by the 1993 legislature. Subject to the availability of funds, boards may be established to review the case of every child assigned to foster care by a district court. The Supreme Court shall establish policies and procedures for the operation of the local boards. The legislature added 3.0 FTE and appropriated $267,385 general fund over the biennium to the Supreme Court to administer the review board pilot program.

Senate Bill 209 - SB 209 implements the executive welfare reform proposal. This bill made changes in AFDC and medicaid eligibility and benefits. See the "Summary of Legislative Action" for a more detailed and comprehensive discussion of SB 209.

Senate Bill 223 - SB 223 implements the executive mental health managed care proposal. The department, if federal medicaid waivers are approved, will contract for management of mental health services beginning in fiscal 1997. See the agency narrative and the Mental Health Program narrative for additional information on mental health managed care.

Senate Bill 236 - One of the purposes of SB 236 is to clarify state laws and rules so that individuals cannot become eligible for medicaid while retaining or disposing of valuable assets through the use of various transfers, trusts, and other arrangements (see SB 236 statement of intent). SB 236 requires the department to execute a claim for payment of medicaid assistance against the estate of deceased medicaid recipients within 3 years of their death or 3 years of the final disposition of the estate, with certain exceptions. SB 236 also requires the department to establish a lien on the real property of a medicaid recipient who is permanently institutionalized in order to recover the cost of medicaid funded services. SB 236 establishes exemptions to the lien and estate recovery responsibilities of the department if a surviving spouse or children under 21 continue to reside in the medicaid recipient's home or if the assets were acquired at full market value. The department must allocate recovered funds among the general fund and federal special revenue. The legislature accepted the executive request to reduce medicaid benefits $0.6 million each year due to passage of this bill.

Senate Bill 244 - SB 244 directs the department to develop policy, plan for permanent placement of children placed in foster care, and review the Montana adoption law. A volunteer advisory committee, appointed by the department, will facilitate the study. The department is required to report to the legislature no later than September 1, 1996. The department will fund permanency planning and policy development through a private grant received from the Kellogg Foundation.

Senate Bill 292 - SB 292 creates a mandatory 24 hour waiting period for women seeking an abortion. The department is required to prepare and distribute various materials to inform women about options to abortion, anatomical and physiological characteristics of an unborn child at various stages of development, methods of, medical risks, and potential psychological effects of having an abortion. The department is also required to implement physician reporting requirements related to changes required by this bill. HB 2 includes an appropriation to pay for the preparation and dissemination of information and implementation of the reporting requirements.

Senate Bill 358 - SB 358 expands health care benefits for low-income children, subject to appropriation limitations. The department may, subject to the availability of appropriations, cooperate with and make grants to a nonprofit corporation that uses donated funds to provide basic preventive and primary health care medical benefits to children whose families are ineligible for medicaid and who are ineligible for any other health care coverage, are under 19 years of age, and are enrolled in school if of school age. The legislature added language appropriating up to $500,000

of any unexpended general fund over the biennium for the purpose of providing primary and preventative health care benefits to children whose family income is less than 185 percent of the federal poverty level and who are uninsured and not eligible for medicaid benefits.

Senate Bill 388 - SB 388 establishes an integrated medicaid managed care program and requirements for managed health care entities. See the agency narrative for a more detailed description of physical health managed care.

Senate Bill 402 - SB 402 establishes requirements for medical support as part of child support enforcement orders. A tribunal must establish a medical support order when establishing a temporary or final child support enforcement order or when modifying an existing order. A tribunal may not consider the child's eligibility for public assistance in determining a medical support order. If a medical support order requires the child to be enrolled in a health benefit plan, presentation of the medical support order binds a plan administrator to enroll the child. A parent's obligation to provide for a child's medical care ceases only when the parental obligation to support a child terminates under law. The fiscal note accompanying SB 402 estimated that the department would need 3.0 FTE to implement the bill at a biennial cost of $249,000 total funds ($84,660 general fund) and that medicaid benefits savings would be $599,250 total funds ($183,655) general fund over the biennium. The legislature did not add the FTE or reduce medicaid benefits due to passage of this bill.

Senate Bill 416 - HB 416 revises procedures and departmental duties for the Certificate of Need (CON) review process required of a health care facility when that health care facility proposes capital expenditures, increases in bed capacity, or increases in service offerings that are subject to section 50-5-301, MCA. Certificate of need fees previously deposited in a state special revenue account must now be deposited in the general fund. HB 2 provides a $92,246 biennial general fund appropriation to facilitate the department's ability to perform its CON duties. This appropriation is in addition to present law general fund appropriations of $86,753 in fiscal 1996 and $87,015 in fiscal 1997.

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PUBLIC HEALTH & HUMAN SERVICES **EXECUTIVE BUDGET COMPARISON**

Agency Summary

Budget Item	Base Budget Fiscal 1994	Executive Budget Fiscal 1996	Legislative Budget Fiscal 1996	Leg. - Exec. Difference Fiscal 1996	Executive Budget Fiscal 1997	Legislative Budget Fiscal 1997	Leg. - Exec. Difference Fiscal 1997	Biennium Difference Fiscal 96-97
FTE	2,743.73	2,758.91	2,757.41	(1.50)	2,689.64	2,715.71	26.07	26.07
Personal Services	82,062,768	86,847,294	87,631,658	784,364	85,305,633	86,782,807	1,477,174	2,261,538
Operating Expenses	43,590,911	59,638,622	55,332,602	(4,306,020)	61,281,820	53,932,772	(7,349,048)	(11,655,068)
Equipment	1,360,054	1,390,548	1,338,779	(51,769)	1,134,434	988,504	(145,930)	(197,699)
Grants	28,525,576	46,153,436	40,244,277	(5,909,159)	48,264,978	41,325,464	(6,939,514)	(12,848,673)
Benefits and Claims	439,493,672	515,849,442	503,171,201	(12,678,241)	561,712,975	550,008,457	(11,704,518)	(24,382,759)
Transfers	3,135,840	4,093,159	4,356,159	263,000	4,184,449	4,147,449	(37,000)	226,000
Debt Service	152,197	10,378	10,378	0	10,378	10,378	0	0
Total Costs	$598,321,018	$713,982,879	$692,085,054	($21,897,825)	$761,894,667	$737,195,831	($24,698,836)	($46,596,661)
Fund Sources								
General Fund	186,607,001	227,940,124	218,777,273	(9,162,851)	244,213,802	229,349,522	(14,864,280)	(24,027,131)
State/Other Special	26,692,709	32,878,034	27,841,792	(5,036,242)	34,523,616	47,593,029	13,069,413	8,033,171
Federal Special	385,021,308	453,164,721	445,465,989	(7,698,732)	483,157,249	460,253,280	(22,903,969)	(30,602,701)
Total Funds	$598,321,018	$713,982,879	$692,085,054	($21,897,825)	$761,894,667	$737,195,831	($24,698,836)	($46,596,661)

Executive Budget Comparison

The legislature reduced the PHHS Executive Budget request by $46.6 million total funds and $24 million general fund over the biennium. State special revenue increased by $8 million and federal funds declined by $30.6 million.

The legislature made changes to the executive request that netted to a reduction of 1.5 positions in fiscal 1996 and an increase of 26.07 positions in fiscal 1997. The legislature did not accept the executive proposal to close Eastmont, resulting in most of the fiscal 1997 increase.

Table 6 lists the major budget changes made to the Executive Budget by the legislature for each agency transferred to PHHS as part of the public health and human services reorganization. Most general fund changes of $200,000 or more are listed separately, as well as some of the significant changes in federal and other funds.

Former Department of Social and Rehabilitation Services

All SRS programs were transferred to PHHS. The legislature appropriated $44 million less over the biennium ($3.9 million general fund) than requested by the executive. The most significant changes occurred in the medicaid benefits budget.

Changes to Benefit Estimates

The legislature accepted department revisions of its estimates of several medicaid benefits including: primary care (hospital, doctor, drug, personal care, and dental services), medicare buy-in, the elder and the disabled waiver, Indian health and state institution reimbursement. Primary care revisions reduced benefits $37.2 million over the biennium ($11.4 million general fund), while revisions to other estimates added $11.7 million over the biennium ($3.6 million general fund). The largest change in other benefits was due to department revisions of mental health managed care savings. Since implementation of the mental health managed care contract will be delayed until fiscal 1997, the legislature removed general fund savings of $2.3 million in fiscal 1996. Executive revisions to its welfare reform proposal reduced benefit appropriations by $0.2 million general fund and $0.5 million federal funds.

Table 6
Legislative Action Compared to Original Executive Request - PHHS

Department/Action	1997 Beinnium Gen. Fund	Fed.	Other	Total
ORIGINAL EXEC. REQUEST DEPT. PHHS	$472,153,926	$936,321,970	$67,401,650	$1,475,877,546
SOCIAL AND REHABILITATION SERVICES				
Original Executive Request	$283,394,270	$806,641,738	$48,965,882	$1,139,001,890
CHANGES TO BENEFIT ESTIMATES				
Revised Primary Care Estimates	($11,429,468)	($25,784,387)	$0	($37,213,855)
Exec. Revisions to Other Medicaid Benefits	3,583,741	12,195,816	(4,093,762)	11,685,795
LEGISLATIVE INITIATIVES				
Legislative Savings Initiatives - Medicaid	(2,305,251)	(5,211,335)	0	(7,516,586)
Fund AFDC with CSE Rev./Reduce Caseload	(2,129,579)	(284,128)	1,830,962	(582,745)
Enhanced Child Support Enforcement	1,172,872	2,276,752	0	3,449,624
DD Provider Rate Increase	1,144,817	656,163	0	1,800,980
County Personal Services Reductions	282,482	563,616	271,133	1,117,231
FUNDING SWITCHES				
SB83 - De-earmark Nursing Home Bed Tax	13,276,219	0	(13,276,219)	0
State Assumed County Mill Revenue	(4,200,000)	0	4,200,000	0
DD Program Funding due to TCM Allocation	(327,195)	327,195	0	0
Voc Rehab Workers' Comp Funding Switch	(384,174)	0	384,174	0
OTHER LEGISLATIVE ACTION	0	0	0	0
Eastmont Closure	(1,458,132)	(1,640,717)	0	(3,098,849)
Mainframe Computer Costs/Rent	(882,791)	(1,683,894)	(148,606)	(2,715,291)
Other Changes Made to Medicaid Budget Request	(418,193)	(9,186,148)	(1,437,198)	(11,041,540)
SB345 Human Services Reorg. - Fiscal Note	(412,500)	(412,500)	0	(825,000)
HB 511 - Health Care Advisory Council	196,395	146,394	0	342,789
Other Changes	404,086	433,916	(184,211)	653,791
TOTAL CHANGE TO SRS REQUEST	($3,886,671)	($27,603,260)	($12,453,727)	($43,943,657)
FINAL LEGISLATIVE ACTION - SRS	$279,507,599	$779,038,478	$36,512,155	$1,095,058,233
FAMILY SERVICES				
Original Executive Request	$66,409,048	$46,028,572	$5,363,446	$117,801,066
Community Impact Grants	($8,218,510)	$0	$0	($8,218,510)
Transfer Juvenile Corrections Benefits to DOC	(7,831,360)	(112,082)	0	(7,943,442)
Revise Foster Care/ Family-Based Services	(626,263)	109,440	394,933	(121,890)
Transfer for Dually Diagnosed Children	(274,000)	0	0	(274,000)
Federal Indirect Cost Revenue	(201,720)	201,720	0	0
Interagency Coordinating Council	(200,000)	0	0	(200,000)
SB 55 - County Administrative Costs	614,544	126,764	0	741,308
Other Changes	(193,351)	402,295	266,868	475,812
TOTAL CHANGE TO DFS REQUEST	($16,930,660)	$728,137	$661,801	($15,540,722)
FINAL LEGISLATIVE ACTION - DFS	$49,478,388	$46,756,709	$6,025,247	$102,260,344
CORRECTIONS AND HUMAN SERVICES				
Original Executive Request	$114,428,980	$13,781,893	$11,031,097	$139,241,970
Central Office Transfer	$2,117,553	$1,567	$245,402	$2,364,522
Managing Resources Montana	(4,525,584)	0	0	(4,525,584)
Mental Health Housing/Crisis Intervention	(1,182,500)	0	0	(1,182,500)
Mental Health Sex Offender Treatment	(219,736)	0	0	(219,736)
Fed. Funds Reduction - Mental Health Serv.	0	(2,202,655)	0	(2,202,655)
SB 223 Mental Health Managed Care	0	0	20,773,720	20,773,720
Chemical Dependency Grants	0	309,094	0	309,094
Chemical Dependency Community Programs	0	754,522	(754,522)	0
Eastmont Closure	1,507,584	0	0	1,507,584
Other Changes	(193,438)	340,411	(181,776)	(34,803)
TOTAL CHANGE TO DCHS REQUEST	($2,496,121)	($797,061)	$20,082,824	$16,789,642
FINAL LEGISLATIVE ACTION - DCHS	$111,932,859	$12,984,832	$31,113,921	$156,031,612
HEALTH AND ENVIROMENTAL SCIENCES				
Original Executive Request	$7,921,628	$69,869,767	$2,041,225	$79,832,620
Health Care Authority	($453,350)	$0	($500,000)	($953,350)
Nurse Aide Abuse Investigations	0	(200,000)	0	(200,000)
SB 416 Revise Certificate of Need Process	92,246	0	0	92,246
Lead Abatement - Hud Funds	0	(2,000,000)	0	(2,000,000)
Follow Me Project	(476,000)	(90,974)	0	(566,974)
Medical Outreach	0	(300,000)	0	(300,000)
Community Systems Development	0	(125,000)	0	(125,000)
Local Health Care Assistance and Grants	300,000	0	300,000	600,000
Other Changes	(176,575)	(214,544)	(57,727)	(448,846)
TOTAL CHANGE TO DHES REQUEST	($713,679)	($2,930,518)	($257,727)	($3,901,924)
FINAL LEGISLATIVE ACTION - DHES	$7,207,949	$66,939,249	$1,783,498	$75,930,696
LEGISLATIVE ACTION DEPT. PHHS	$448,126,795	$905,719,269	$75,434,821	$1,429,280,885
LEGISLATIVE OVER (UNDER) EXECUTIVE	($24,027,131)	($30,602,701)	$8,033,171	($46,596,661)

Major Legislative Initiatives

The legislature made $7.5 million ($2.3 million general fund) in reductions to primary care benefits that were not identified in the Executive Budget. The legislature removed general fund of: 1) $1.1 million due to enhanced drug utilization review and implementation of a drug formulary (a preferred list of drug ingredients that maximize healing); 2) $0.5 million due to implementation of the medicaid statistical data system (MEDSTAT); 3) $0.3 million for additional third party liability collections due to enhancements of the medicaid management information system; 4) $0.2 million in anticipation of a reduction in the primary care growth rate in fiscal 1996; and 5) $0.2 million in anticipation of additional enrollment in fiscal 1997 in the HMO (health maintenance organization) physical health managed care program.

The legislature reduced general fund support AFDC benefits by replacing general fund with $1.8 million of child support enforcement revenue due to enhanced collection efforts funded by the legislature. The legislature also reduced AFDC general fund benefit costs by $0.1 million over the biennium due to enhanced child support enforcement efforts. The legislature established the AFDC caseload projection lower than the executive request, reducing general fund $0.2 million.

The legislature funded enhanced child support enforcement services and appropriated $1.2 million general fund and $2.3 million federal funds more than requested in the Executive Budget. The legislature added $1.1 million general fund and $0.7 million federal funds for a 3 percent rate increase for developmental disabilities service providers, doubling the 1.5 percent increase requested by the executive. The legislature did not accept personal services reductions in the county administration programs because it believed that county positions should remain filled in order to accomplish the executive welfare reform proposal.

Funding Switches

SB 83 "de-earmarked" certain state special revenue accounts and reclassified the fees and taxes as general fund revenue, including nursing home bed tax fees. The legislature increased general fund nursing home benefits $13.3 million over the biennium and reduced state special revenue by the same amount due to SB 83.

The legislature offset $4.2 million general fund by appropriating additional state-assumed county mill levy revenue (state special revenue). A one-time appropriation of excess balances offset $2.4 million general fund in fiscal 1996. The legislature accepted the Revenue Oversight Committee estimates of state-assumed county mill levy revenue for the 1997 biennium, offsetting $1.8 million general fund over the biennium.

The legislature accepted the executive recommendation to allocate some administrative costs of the Developmental Disability Program to the federal share of targeted case management costs, reducing general fund by $0.3 million. The legislature did not authorize continuation of replacement of worker's compensation funds with general fund in the Vocational Rehabilitation Program for general fund savings of $0.4 million.

Other Legislative Action

The legislature did not approve the executive proposal to close Eastmont, resulting in biennial general fund savings of $1.5 million and federal fund savings of $1.6 million. The legislature removed $0.9 million general fund and $1.7 million federal funds due to an error in the executive request for computer processing costs and rejection of rent increases. The legislature made other changes to the Medicaid Services Division budget that reduced total funds $11 million (general fund $0.4 million) over the biennium.

The legislature implemented two bills not included in the Executive Budget. The legislature removed savings anticipated in the fiscal note accompanying SB 345 (human services reorganization) of 25 FTE and $0.8 million total funds ($0.4 million general fund) in fiscal 1997. The legislature added 1.0 FTE and $0.2 million general fund ($0.3

million total funds) to implement HB 511, which established the Health Care Advisory Council. The council replaces the Health Care Authority funded by the 1993 legislature. The legislature made other revisions to the Executive Budget request that added a net $0.4 million general fund ($0.6 million total funds) over the biennium.

Department of Family Services

All DFS programs except Juvenile Corrections were transferred to PHHS by SB 345. (Juvenile Corrections was transferred to the Department of Corrections.) The legislature reduced the DFS Executive Budget request by $15.5 million total funds over the biennium ($16.9 million general fund). Federal fund and state special revenue increased $0.6 million over the biennium, partially offsetting general fund reductions.

The legislature rejected the executive new proposal for impact grants to communities for difficult-to-serve youth, removing $8.2 million general fund over the biennium. The legislature allocated foster care benefits between abuse/neglect functions and juvenile corrections, accounting for a biennial reduction of $7.8 million general fund. Juvenile corrections benefits show as a reduction since the Executive Budget included all foster care benefits in the Program Management Division (now part of PHHS) and Juvenile Corrections was transferred to DOC.

The legislature adopted its own estimates of foster care benefits and family based services, resulting in net biennial reductions of $0.6 million general fund and $0.1 million total funds. Increases in federal funds and state special revenue partially offset general fund reductions. The legislature made other changes to the DFS budget resulting in net increases of $0.5 million total funds and reductions of $0.2 million general fund over the biennium.

Department of Corrections and Human Services

The legislature moved three programs (Mental Health, Special Services, and Chemical Dependency) and part of the Central Office Program from the Department of Corrections and Human Services to PHHS. The legislature approved $14.4 million total funds more over the biennium than requested in the original Executive Budget, but reduced the executive general fund request by $2.5 million over the biennium. If the single largest change is removed from consideration ($20.8 million state special revenue to implement mental health managed care - SB 223), the legislature reduced the executive biennial request by $6.4 million total funds.

The legislature authorized approximately $12.5 million more than recommended in the Executive Budget for the Mental Health Division. This difference is primarily the net result of: 1) $4.5 million less than requested for general fund grants in the MRM program; 2) $1.4 million less in new proposals for mental health housing/crisis intervention and sex offender treatment; 3) $2.2 million less in federal grants to contract for community mental health services due to an anticipated decline in federal funds; and 4) $21 million in fiscal 1997 to allow the division to receive payment from the mental health managed care contractor authorized in SB 223.

The legislature authorized approximately $0.3 million more federal funds than originally requested by the executive for the Chemical Dependency Division, due to an increase in federal block grant funds. Because of the increased federal funds and limited alcohol tax funds (state special revenue), the legislature authorized $0.8 million of federal funds over the biennium for community chemical dependency services for offenders instead of the alcohol tax originally requested by the executive.

The legislature did not approve the executive proposal in the Special Services Program to close Eastmont Human Services Center (EHSC), accounting for a $1.5 million general fund reduction in fiscal 1997.

Department of Health and Environmental Sciences

All public health programs and certain administrative functions in the Director's Office and the Central Services Division were transferred from the former Department of Health and Environmental Sciences (DHES) to PHHS. All

other DHES functions were transferred to the Department of Environmental Quality. Legislative appropriations are $3.9 million lower than requested by the executive with a majority of the difference in federal funds. The comparison does not reflect changes in funding for administrative functions, as the proprietary funds supporting those functions were taken off budget to comply with HB 576.

Elimination of the Health Care Authority (HCA) resulted in a $1.0 million difference in general fund and private donations. But that savings is partially offset by $0.3 million increase in the Operations and Technology Division in PHHS for the Health Care Advisory Council, which replaces the HCA pursuant to HB 511.

The legislature did not fund several new proposals: 1) $0.6 million (mostly general fund) to expand the Follow Me Project; 2) $0.3 million of federal funds to implement additional medical outreach services 3) $0.1 million of federal funds to assist communities in planning and developing maternal and child health programs; and 4) $2.0 million in federal funds from HUD for lead abatement on residential structures. Establishment of a state program to certify lead abatement professionals is a prerequisite to receive the funds and a bill to create the program failed.

The legislature passed 3 of its own new proposals for: 1) $0.1 million in general fund to revise the certificate of need process; 2) $0.6 million (half general fund, half state special revenue) to assist local health agencies' efforts to obtain medicaid reimbursement and to assist in the development of local health care programs; and 3) $0.1 million in general fund to provide information to health care professionals and to women considering an abortion.

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PUBLIC HEALTH & HUMAN SERVICES **FAMILY ASSISTANCE**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	41.80	0.00	0.00	41.80	0.00	0.00	41.80	41.80
Personal Services	1,417,195	110,993	0	1,528,188	118,816	0	1,536,011	3,064,199
Operating Expenses	2,233,940	36,351	758,172	3,028,463	56,807	1,457,473	3,748,220	6,776,683
Equipment	119,996	11,004	0	131,000	(83,996)	0	36,000	167,000
Benefits and Claims	68,402,557	3,016,070	2,386,256	73,804,883	4,200,352	3,802,830	76,405,739	150,210,622
Transfers	976,684	178,301	0	1,154,985	178,301	0	1,154,985	2,309,970
Debt Service	11,809	(1,431)	0	10,378	(1,431)	0	10,378	20,756
Total Costs	$73,162,181	$3,351,288	$3,144,428	$79,657,897	$4,468,849	$5,260,303	$82,891,333	$162,549,230
Fund Sources								
General Fund	16,031,775	1,154,493	789,807	17,976,075	800,610	1,626,327	18,458,712	36,434,787
State/Other Special	953,191	440,171	368,838	1,762,200	1,574,086	313,747	2,841,024	4,603,224
Federal Special	56,177,215	1,756,624	1,985,783	59,919,622	2,094,153	3,320,229	61,591,597	121,511,219
Total Funds	$73,162,181	$3,351,288	$3,144,428	$79,657,897	$4,468,849	$5,260,303	$82,891,333	$162,549,230

Program Description

The Family Assistance Program is responsible for the coordination and management of Montana public assistance programs. Program staff develop policy, coordinate with federal agencies, and provide administrative supervision of grant and benefit programs, including Aid to Families with Dependent Children (AFDC), food stamps, and weatherization and Low-Income Energy Assistance Block Grants (LIEAP). The Family Assistance Program is statutorily authorized in Title 53, Chapter 2; Title 53, Chapter 3; Title 53, Chapter 4, Part 2; and sections 53-4-101, and 53-6-133, MCA.

Funding

The Family Assistance Program is funded with general fund, state special revenue, and federal funds. There are two sources of state special revenue: 1) property tax revenue from non-assumed counties that supports 22.5 percent of the nonfederal share of AFDC benefits for all beneficiaries except enrolled Tribal members; and 2) child support enforcement revenue that offsets a share of AFDC general fund costs. Overall program administrative costs are funded 22 percent from the general fund and 78 percent from federal funds. However, funding mixes for specific administrative activities and costs range from 50 percent general fund/50 percent federal funds to 100 percent federal funds. Most benefits are funded at the medicaid match rate of 30.26 percent state funds in fiscal 1996 and 31 percent state funds in fiscal 1997 with the balance from federal funds. However some benefits are funded fully from federal sources or at unique state/federal match rates.

Family Assistance Program Budget Overview

The fiscal 1996 Family Assistance Program budget increases 8.9 percent from base budget and fiscal 1997 increases 13.3 percent. New proposals add $8.4 million over the biennium, slightly more than present law adjustments totalling $7.8 million.

General fund increases 12.1 percent from fiscal 1994 to fiscal 1996 and 15.1 percent to fiscal 1997. Federal funds increase 6.7 percent from the base to the fiscal 1996 budget and 9.6 percent in fiscal 1997. General fund supports a higher level of program funding because: 1) the state match rate for AFDC and child care benefits increases 1.28 percent from the base budget to fiscal 1996 and 2.02 percent to fiscal 1997; and 2) program administration costs rise from 20.7 percent general fund in the base budget to 22.0 percent in the 1997 present law budgets.

The most notable biennial increase due to new proposals is $7.8 million to implement the executive welfare reform proposal. Significant present law biennial adjustments are: 1) $5 million to maintain AFDC payment levels at 40.5 percent of the federal poverty index, which increases about 3 percent each year; 2) a net increase in federal benefit funds of $0.8 million; 3) child care benefits rise $0.6 million, which includes a 1.5 percent provider rate increase; 4) $0.6 million for jobs programs and training benefits; and 5) $0.2 million for personal services costs.

Overview of Benefits

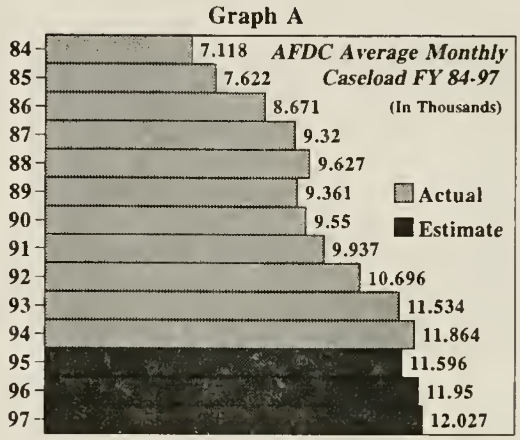
Benefits appropriations comprise about 93 percent of the total program budget. Benefits increase $13.4 million over the biennium from the base budget. Since benefit appropriations change due to present law adjustments and new proposals, total appropriations for each benefit are discussed in this overview. Table 7 compares the base budget and 1997 biennium appropriations for program benefits.

Table 7
1997 Biennium Family Assistance Program Benefit Appropriations Compared to the Fiscal 1994 Base Budget

	-----Base Budget-----		---Fiscal 1996---				---Fiscal 1997---			
Benefit	Gen. Fund	Total	Gen. Fund	SSR	Fed. Funds	Total	Gen. Fund	SSR	Fed. Funds	Total
AFDC	$13,336,050	$48,927,602	$14,214,373	$1,389,581	$35,981,460	$51,585,414	$14,018,403	$2,535,905	$36,893,510	$53,447,818
Emergency AFDC	38,186	116,861	70,000	17,600	87,500	175,000	70,000	17,500	87,500	175,000
Child Care	775,496	2,786,161	1,111,139	40,000	2,662,996	3,804,136	1,355,382	40,000	3,135,955	4,531,337
JOBS	759,343	2,620,231	946,406	236,119	2,665,296	3,736,820	970,591	235,119	2,542,360	3,748,070
Food Stamp Job Search	136,485	470,963	182,180	0	419,870	602,060	186,536	0	415,414	602,050
LIEAP	0	8,709,748	0	0	8,806,656	8,806,656	0	0	8,806,656	8,806,656
Weatherization	0	2,902,083	0	0	2,587,867	2,587,867	0	0	2,587,867	2,687,857
Comm. Servs. Block Grt.	0	1,702,263	0	0	2,116,986	2,116,986	0	0	2,115,986	2,116,986
Homeless Grant	0	162,985	0	0	351,361	351,361	0	0	351,361	351,361
Food Stamp Outreach	0	4,760	0	0	39,594	39,594	0	0	39,594	39,594
Total	$15,045,559	$68,402,557	$16,524,097	$1,682,200	$55,598,586	$73,804,883	$16,601,011	$2,828,524	$56,976,204	$76,405,739
Biennial Total							$33,125,109	$4,510,724	$112,574,789	$150,210,622

AFDC benefits are payments to low-income families and children who meet income and resource eligibility standards. AFDC comprises the largest share of benefit appropriations in the Family Assistance Program. AFDC benefits increase due to: 1) holding the payment level at 40.5 percent of the federal poverty index; and 2) a slight caseload increase due to the executive welfare reform proposal.

Graph A shows historic and projected AFDC caseloads. Present law AFDC caseloads were projected to decrease from an average monthly caseload of 11,864 in fiscal 1994 to 11,773 in fiscal 1996 and 11,700 in fiscal 1997. The difference between the total and present law caseloads is due to the executive welfare reform proposal, which is expected to increase monthly caseloads by 177 in fiscal 1996 and 327 in fiscal 1997.



AFDC benefits are funded at the medicaid match rate. The state share is funded from the general fund and state special revenue from: 1) property tax revenues from non-assumed counties; and 2) child support enforcement revenue. The legislature approved a new proposal, not requested by the executive, to enhance child support enforcement efforts in the 1997 biennium. The legislature then reduced general fund AFDC benefit costs by appropriating state special revenue equal to the executive estimate of increased child support enforcement revenue due to the expansion. This increase in state special revenue accounts for the reduction in AFDC general fund costs between fiscal 1996 and fiscal 1997.

Emergency AFDC provides temporary assistance to families who do not have resources to meet needs related to emergencies arising from such circumstances as a flood or fire. Assistance is limited to once every 12 months. Emergency AFDC is funded 49 percent from general fund, 1 percent from county funds, and 50 percent from federal funds.

Child care benefits provide child care to AFDC families that are in training, participating in a jobs program, or transitioning off AFDC. Child care is funded at the federal match rate for AFDC and medicaid noted previously. State special revenue from local agencies in fiscal 1994 provided matching funds for pilot projects for families at-risk of becoming eligible for AFDC. The pilots were operated until DFS was able to implement its at-risk day care program.

States are required to operate a Job Opportunities and Basic Skills program (JOBS) for AFDC recipients. PHHS contracts for provision of job skills training and employment preparation activities for AFDC recipients. JOBS benefits are funded at three different rates: 1) a portion is funded 90 percent from federal funds with the 10 percent match funded by in kind or private funds; 2) other benefit costs and some administrative costs are funded at the federal match rate for AFDC and medicaid (about 30 percent from the general fund and 70 percent from federal funds); and 3) other costs are funded 50 percent from general fund and 50 percent from federal funds. Total JOBS funds are capped and distributed among states depending on the state AFDC population in relation to the national AFDC population. The legislature appropriated the maximum federal grant available to Montana, providing the state match from private donations and county funds. The legislature also added: 1) $100,000 general fund each year that was not requested by the executive; and 2) language in HB 2 requiring the increase in JOBS benefits and the $100,000 general fund to be spent on a teen parent program.

The Food Stamp Job Search Program is the mandatory job search activity for food stamp recipients who are not eligible for the JOBS program. Food stamp job search is funded from a capped federal grant with costs above the grant amount supported 50 percent from the general fund and 50 percent from federal funds.

The federally funded Low-Income Energy Assistance Program (LIEAP) provides heating assistance to low-income people. The federally funded weatherization program funds installation of weatherization materials to reduce heating costs for low-income people.

The federal Community Services Block Grant funds local projects to ameliorate the causes of poverty. The legislature allowed 5 percent of the grant to be used for administrative costs and 2.5 percent to be used for special projects.

The federal homeless grant is passed through to shelters and Human Resource Development Councils (HRDC's) to provide lodging for individuals and families who are without housing or at risk of being without housing.

Family Assistance contracts with the Aging Program in the Program Management Division and with HRDC's for food stamp outreach to inform low-income people about food stamps. The amount shown in Table 7 supports the HRDC contract; the Aging Program receives $203,111 annually which is recorded in transfers. Food stamp outreach is federally funded.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$110,993	$118,816
2 Inflation/Deflation	44,778	74,379
3 Fixed Costs	(10,747)	(9,893)
Other Present Law Adjustments		
4 Contract Services		
a Forms Redesign/Policy Manual	$57,500	$57,500
b Mt. Legal Services Contract	19,910	19,910
c Other Contract Changes	(75,090)	(85,089)
5 Equipment	11,004	(83,996)
6 Benefits		
a AFDC	1,895,740	3,068,772
b Emergency AFDC	59,139	59,139
c Child Care	333,602	333,602
d JOBS	176,877	188,127
e Food Stamp Job Search	131,087	131,087
f Other Benefits	419,625	419,625
7 Transfers	178,301	178,301
8 Debt Service	(1,431)	(1,431)
Total Present Law Adjustments	$3,351,288	$4,468,849

Present Law Adjustments

1) Personal Services - The legislature approved $229,809 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, turnover, and upgrades. Most of the adjustment is funded 50 percent from the general fund and 50 percent from federal funds.

2) Inflation/Deflation and 3) Fixed Costs - Inflation adjustments are largely due to increases in the cost of food service expenses related to the federal commodities program and are funded from federal funds. Fixed costs decline $20,640 over the biennium, largely due to the reallocation of rent costs.

4) Contract Services - Contract services decline by a net of $5,359 over the biennium. Increases for forms redesign, policy manual changes and Montana Legal Services contracts are offset by other contract cost reductions. Contracts for redesigning and printing division forms and for policy manual changes are funded 50 percent from the general fund and 50 percent from federal funds. The department contracts with Montana Legal Services to assist persons applying for social security disability (SSI) determination. The contract is funded with general fund.

Other Contracted Changes - Net cost changes in other contracted services reduce present law budgets by $75,090 in fiscal 1996 and $85,089 in fiscal 1997. Funding is based on the individual contract, resulting in a mix of general fund, state special revenue, and federal support.

5) Equipment - The legislature appropriated $165,800 over the biennium to purchase equipment. Base budget expenditures were $119,996, resulting in a negative present law adjustment in fiscal 1997. The department will

purchase a replacement semi-tractor for the federal commodities program in fiscal 1996 for $95,000 federal funds. Other equipment includes replacement of personal computers and software upgrades and is funded 50 percent from the general fund and 50 percent from federal funds.

6) Benefits - Present law adjustments add $7.2 million in benefits costs over the biennium.

AFDC - The legislature approved present law adjustments for AFDC benefit appropriations of $5 million over the biennium. These increases result entirely from holding the maximum payment level at 40.5 percent of the federal poverty index. Present law AFDC average monthly caseloads are estimated to be 11,804 in fiscal 1996 and 11,760 in fiscal 1997 compared to fiscal 1994 caseloads of 11,864.

Emergency AFDC - The legislature approved an additional $59,139 each year of the biennium. The present law adjustment is funded 50 percent from general fund and 50 percent from federal funds. Base budget expenditures were $115,861.

Child Care - The legislature added $0.7 million over the biennium for child care benefits. The legislature also appropriated funds to establish child care rates at the 75th percentile of the survey market rate in accordance with federal regulations. The legislature appropriated the entire rate increase in the present law budget, moving funds included in a new proposal by the executive to present law. Base budget child care benefits were $2.8 million.

JOBS - The legislature authorized additional funds for JOBS contracts with private providers. Aggregate funding for JOBS benefits is about 27.5 percent general fund and the balance from federal funds. Base budget expenditures for JOBS benefits were $2.6 million.

Food Stamp Job Search - The legislature appropriated increases in food stamp job search funds to the level budgeted in the base year, which is $131,087 higher than actual expenditures of $470,963. General fund support for the program increases from 32.4 percent in the base year budget to 35.8 percent in the 1997 biennium, with the balance of costs supported by federal funds.

Other Benefit Changes - Changes in other benefits, including weatherization, the Low-Income Energy Assistance Payment program, emergency shelter benefits, and the Community Services Block Grant, add $839,250 federal funds over the biennium. Base budget expenditures for these benefits were $13.5 million in fiscal 1994.

7) Transfers - The Family Assistance Program contracts with the Department of Labor and Industry (DOLI) to manage some JOBS and Food Stamp Job Search activities. Funds are transferred to DOLI for those costs. Transfers increase by $356,602 over the biennium. JOBS transfers are funded with a mix of general fund and federal funds while Food Stamp Job Search transfers are funded by federal funds with the general fund match budgeted in DOLI.

New Proposals

1) Montana Legal Services - GA - The legislature added $25,000 general fund each year of the biennium to contract for legal assistance for general assistance (GA) recipients living in non-assumed counties. Montana Legal Services helps GA recipients apply for disability determination under the federal Social Security Act. If GA recipients are found to be eligible, counties receive refunds from the federal government for assistance payments to GA recipients. This new proposal was not included in the Executive Budget.

2) R and R Training and JOBS Child Care - The legislature approved $240,000 over the biennium to fund resource and referral agencies helping AFDC recipients obtain day care services. The proposal is funded 70 percent from federal funds and 30 percent from state special revenue (donations or local matching funds).

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 MT Legal Services G.A.	0.00	$25,000	$25,000	0.00	$25,000	$25,000
2 R & R Trng/JOBS-Child Care	0.00	0	120,000	0.00	0	120,000
3 Welfare Reform-AFDC Caseld Inc	0.00	211,122	762,172	0.00	409,335	1,451,544
4 Welfare Reform-Child Care Incr	0.00	142,836	484,190	0.00	363,992	1,213,306
5 JOBS Benefits	0.00	100,000	939,712	0.00	100,000	939,712
6 Welfare Reform - Admin Costs	0.00	306,866	773,732	0.00	724,675	1,474,350
7 Self-Initiated Day Care	0.00	24,263	80,182	0.00	24,263	78,268
8 Personal Services Reductions	0.00	(20,280)	(40,560)	0.00	(20,938)	(41,877)
Totals	0.00	$789,807	$3,144,428	0.00	$1,626,327	$5,260,303

3), 4), 5) and 6) Executive Welfare Reform Proposal - The legislature funded four new proposals in the Family Assistance Program to implement the executive welfare reform initiative and a teen parent program. The welfare reform proposals add $7.8 million total funds ($2.2 million general fund) over the biennium for increases in AFDC caseload (177 cases in fiscal 1996 and 327 in fiscal 1997), child care benefits, JOBS benefits, and administrative costs due to welfare reform. JOBS benefits increase to the maximum allowable federal grant amount to Montana, with the state match budgeted from state special revenue (private donations). The legislature also added: 1) $100,000 general fund each year for a teen parent program in item 5; and 2) language requiring that all additional JOBS funds must be used for a teen parent program and that the general fund JOBS funds could be used to provide services for teen parents who are not AFDC eligible and for teen parents who are AFDC eligible, but younger than 15 years of age. The Executive Budget requested only state special revenue and federal funds for JOBS expansion.

7) Self-Initiated Day Care - The legislature appropriated funds to add 74 day care slots and eliminate the waiting list for self initiated day care for AFDC clients who enroll in secondary education. General fund supports a 30 percent state match and federal funds support the balance. This proposal was not included in the Executive Budget.

8) Personal Services Reductions - The legislature approved $82,437 in vacancy savings reductions in this program, or about 2.5 percent of total personal services. The reduction is equivalent to leaving 1.1 FTE vacant annually, based on an average salary per FTE. The reduction is funded 50 percent from the general fund and 50 percent from federal funds. The legislature budgeted the reduction in operating costs instead of personal services.

Language

"The AFDC payment level for the 1997 biennium must be established at no less than 40.5% of the federal poverty index."

"The department shall require that JOBS participants who leave the program because of employment be tracked up to 1 year after their termination with the JOBS program as a condition of letting JOBS contracts. Exemptions from this requirement include JOBS participants who are no longer Montana residents or JOBS participants who cannot be reached despite good faith efforts. The department shall report to the 55th Legislature regarding the employment and earning status of former JOBS participants served during the 1997 biennium."

"Contingent on passage and approval of Senate Bill No. 209, the family assistance program shall notify the regional administration that children in a household are at risk when that household receives a sanction that includes reduction of the adult portion of the AFDC grant." (SB 209 was passed and approved.)

"Funds in item [JOBS funds] must be used for a teen parent program. The department may use general fund money in item 1a for a teen parent program for teen parents who are not AFDC eligible and for teen parents who are AFDC eligible but younger than 15 years of age."

"The department is authorized to retain 7.5% of the federal Community Services Block Grant and pass through the remaining 92.5% to the Human Resource Development Councils (HRDCs). If during fiscal year 1996 or fiscal year 1997 the block grant falls below the federal fiscal year 1990 grant level, the department shall retain only 5% of the grant amount and pass through the remaining 95% to the HRDCs."

6901 03 00000 PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
ELIGIBILITY DETERMINATION PGM								
FTE	191.55	0.00	0.00	191.55	0.00	0.00	191.55	191.55
Personal Services	5,371,214	28,821	0	5,400,035	55,924	0	5,427,138	10,827,173
Operating Expenses	156,000	3	7,500	163,503	6	30,000	186,006	349,509
Equipment	5,600	(5,600)	5,866	5,866	(5,600)	17,664	17,664	23,530
Debt Service	4,413	(4,413)	0	0	(4,413)	0	0	0
Total Costs	$5,537,227	$18,811	$13,366	$5,569,404	$45,917	$47,664	$5,630,808	$11,200,212
Fund Sources								
State/Other Special	2,720,244	9,437	6,683	2,736,364	22,755	23,832	2,766,831	5,503,195
Federal Special	2,816,983	9,374	6,683	2,833,040	23,162	23,832	2,863,977	5,697,017
Total Funds	$5,537,227	$18,811	$13,366	$5,569,404	$45,917	$47,664	$5,630,808	$11,200,212

Program Description

The Eligibility Determination Program is responsible for determining initial and on-going recipient eligibility for benefit programs operated in the non-assumed welfare counties. Activities include eligibility determinations for AFDC, medicaid, food stamps, energy assistance, and state and county financial and medical assistance. The program includes funding for county welfare eligibility and clerical staff and for county welfare directors' salaries and travel in the non-assumed counties.

Funding

The Eligibility Determination Program is funded with county funds (property tax revenue) and federal funds. Federal funds support 50 percent of administrative and staff expenditures related to federal assistance programs. However, food stamp issuance administrative costs on reservations are funded 25 percent county funds and 75 percent federal funds, resulting in a total program funding ratio of 50.87 percent federal funds and 49.13 percent county funds.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$28,821	$55,924
2 Inflation/Deflation	3	6
3 Fixed Costs	0	0
Other Present Law Adjustments		
4 Equipment and Loans	(10,013)	(10,013)
Total Present Law Adjustments	$18,811	$45,917

Present Law Adjustments

1) Personal Services - The legislature approved $84,745 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover.

4) Equipment and Loans - The present law base does not include authority for equipment or continuation of fiscal 1994 loan expenditures, resulting in reductions of $20,026 over the biennium.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Welfare Reform-NACO Workld Inc			$13,366			$47,664
Totals			$13,366			$47,664

New Proposals

1) Welfare Reform-NACO Workload Increase - The legislature approved the executive request to add $61,030 over the biennium to fund training costs ($37,500) and equipment ($23,530) non-assumed counties to implement the executive welfare reform proposal. The new proposal is funded 50 percent from county funds and 50 percent from federal funds.

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PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
DIRECTOR'S OFFICE								
FTE	14.50	0.00	(1.00)	13.50	0.00	(1.00)	13.50	13.50
Personal Services	520,392	51,377	(61,949)	509,820	53,952	(62,178)	512,166	1,021,986
Operating Expenses	121,124	(11,253)	0	109,871	(10,820)	0	110,304	220,175
Equipment	7,251	0	0	7,251	0	0	7,251	14,502
Debt Service	5,567	(5,567)	0	0	(5,567)	0	0	0
Total Costs	$654,334	$34,557	($61,949)	$626,942	$37,565	($62,178)	$629,721	$1,256,663
Fund Sources								
General Fund	229,624	12,107	(21,738)	219,993	13,163	(21,818)	220,969	440,962
State/Other Special	71,970	3,809	(6,815)	68,964	4,139	(6,840)	69,269	138,233
Federal Special	352,740	18,641	(33,396)	337,985	20,263	(33,520)	339,483	677,468
Total Funds	$654,334	$34,557	($61,949)	$626,942	$37,565	($62,178)	$629,721	$1,256,663

Program Description

The Director's Office is responsible for providing the overall agency direction for policy development and for coordinating the various human services programs. The administrative organization of the department is established in sections 2-15-112, 2-15-2201, and 53-2-201, MCA.

Funding

The Director's Office is funded from the general fund, state special revenue, and federal funds. State special revenue is property tax revenue from non-assumed counties, child support enforcement, and handicapped telecommunications fees. County funds provide the largest share of state special revenue (66 percent). The funding mix is determined by the department cost allocation plan. The 1997 biennium budget is based on the same funding mix as the base budget: 1) general fund, 35.09 percent; 2) state special revenue, 11 percent; and 3) federal funds, 53.91 percent.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$51,377	$53,952
2 Inflation/Deflation	(401)	(408
3 Fixed Costs	(25,634)	(25,194
Other Present Law Adjustments		
4 Rent	14,782	14,782
5 Debt Service	(5,567)	(5,567
Total Present Law Adjustments	$34,557	$37,565

Present Law Adjustments

1) Personal Services - The legislature approved increases in personal services due to vacancy savings and annualization of the 1995 biennium pay plan.

3) Fixed Costs and 4) Rent - Fixed costs are reduced $50,828 over the biennium due to reallocation of rent costs among programs based on the program FTE as a percentage of total FTE located in the central office building. Offsetting increases of $29,564 were approved in other rent expenses.

5) Debt Service - Program debt service is not included in the present law budget, resulting in a reduction of $11,134 over the biennium. Debt service funded purchase of a lap top computer.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Personal Services Reductions	(1.00)	($21,738)	($61,949)	(1.00)	($21,818)	($62,178)
Totals	(1.00)	($21,738)	($61,949)	(1.00)	($21,818)	($62,178)

New Proposal

1) Personal Services Reductions - The legislature accepted the executive proposal to remove the deputy director position and $124,127 over the biennium, an 11.7 percent reduction to personal services. The decrease is funded according to the overall program funding mix.

6901 05 00000

PUBLIC HEALTH & HUMAN SERVICES — **CHILD SUPPORT ENFORCEMENT**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	162.25	12.00	(7.00)	167.25	12.00	(7.00)	167.25	167.25
Personal Services	4,100,228	1,069,970	(258,510)	4,911,688	1,092,609	(260,434)	4,932,403	9,844,091
Operating Expenses	1,354,184	751,431	2,124,426	4,230,041	765,477	2,894,056	5,013,717	9,243,758
Equipment	88,228	14,559	176,374	279,161	19,010	85,458	192,696	471,857
Debt Service	690	(690)	0	0	(690)	0	0	0
Total Costs	$5,543,330	$1,835,270	$2,042,290	$9,420,890	$1,876,406	$2,719,080	$10,138,816	$19,559,706
Fund Sources								
General Fund	0	0	782,273	782,273	0	1,013,035	1,013,035	1,795,308
State/Other Special	1,854,313	630,106	(87,894)	2,396,525	642,692	(88,548)	2,408,457	4,804,982
Federal Special	3,689,017	1,205,164	1,347,911	6,242,092	1,233,714	1,794,593	6,717,324	12,959,416
Total Funds	$5,543,330	$1,835,270	$2,042,290	$9,420,890	$1,876,406	$2,719,080	$10,138,816	$19,559,706

Program Description

The Child Support Enforcement (CSE) Program is responsible for establishing, enforcing, and collecting financial support owed by absent parents. Program staff locate absent parents, identify assets, establish paternity, and ensure that absent parents maintain medical health insurance coverage for their dependent children. Activities carried out by program staff are authorized in Title 40, Chapter 5, Part 2, MCA.

Funding

Most CSE costs are funded 34 percent state funds and 66 percent federal funds. However, one program function, paternity testing, is funded 10 percent from state special revenue and 90 percent from federal funds. During the 1993 and 1995 biennia, the state match was paid from state special revenue (child support enforcement incentive payments and state portion of CSE collections for AFDC recipients). However, the legislature appropriated general fund for the state match for two new proposals (the executive welfare reform request and enhanced enforcement activities) because CSE state special cash reserves are too low to fund the additional workload. (As of 1994 fiscal year end, the CSE cash balance was $27,575.) CSE documentation noted that the welfare reform proposal could not be funded from CSE state special revenue because: 1) of lag time between receipt of a new case, the paternity establishment, the court order establishment, enforcement, and collection; and 2) enhanced enforcement activities will be phased in over a 12-month period. The department testified that the general fund will be offset by additional CSE collections in future years. As part of the its welfare reform proposal, the department pledged to increase AFDC child support collections by $3.6 million per year and department staff testified that $600,000 of CSE revenue would be deposited to the general fund over the 1997 biennium.

Present Law Adjustments

1) Personal Services - The legislature approved $2.2 million in personal services adjustments over the biennium. Most of the increase is due to annualization of the cost for 45.0 additional FTE funded by the 1993 legislature and added throughout the biennium. About $720,000 of the adjustment will support 12.0 FTE authorized to begin in fiscal 1995. The balance of the increase is due to reclassification of child support investigator positions from grade 12 to grade 13, annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover. All program costs with one exception are funded 34 percent state funds and 66 percent federal funds. (Paternity testing is funded 10 percent state funds and 90 percent federal funds.) Unless otherwise noted the state match is provided by state special revenue received from child support enforcement activities.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$1,069,970	$1,092,609
2 Inflation/Deflation	12,764	11,172
3 Fixed Costs	744	744
Other Present Law Adjustments		
4 Contracted Services	$474,136	$474,136
5 Annualization of Operating Costs	164,675	164,675
6 Rent	99,063	114,701
7 Equipment	14,559	19,010
8 Debt Service/Other Adjustments	(641)	(641)
Total Present Law Adjustments	$1,835,270	$1,876,406

2) Inflation/Deflation - Present law adjustments for inflation in operating costs add $23,936 over the biennium, largely due to changes in laboratory testing and medical services costs.

4) Contracted Services - The legislature approved $474,136 each year of the biennium for additional contracted services. CSE plans to contract for paternity establishment to meet federal performance standards, expected to be finalized within the next few years, at an estimated cost of $397,692 over the biennium. Additionally, CSE will expand its agreements with hospitals to facilitate voluntary paternity establishment at the time of birth. CSE pays hospitals $20 per paternity acknowledgement of an out of wedlock birth.

CSE plans to expand staff access to electronic parent locator, credit, other states' CSE information, and other information data bases, to reduce manual search time to locate absent parents and determine assets. These services and on-line charges for LEXIS, a legal data base, add $252,848 over the biennium.

CSE is negotiating with Indian tribes to contract for child support enforcement on reservations, budgeted for $141,360 over the biennium. The following contracts increase commensurate with projected caseload growth: a) contracts with hearings officers to support the administrative law judge in federally required review of CSE modifications; b) laboratory charges for blood tests used to establish paternity; and c) contracts with county attorneys to secure CSE orders.

5) Annualization of Operating Costs - The legislature approved $329,350 over the biennium for operating costs to support 45.0 FTE funded by the 1993 legislature and added throughout the 1995 biennium. Thirty three of the FTE were funded in fiscal 1994, but came on board throughout the base budget year and 12.0 additional FTE were funded beginning in fiscal 1995.

6) Rent - Rent increases $213,764 over the biennium due to staff increases and existing rental agreements.

7) Equipment - The legislature approved $209,025 for equipment purchases over the biennium, of which $33,563 is a present law adjustment. The budget is based on a 6 year replacement schedule for electronic office equipment including computers, printers, copiers, and telephones, and a 10 year replacement schedule for office equipment. Items to be replaced include, but are not limited to: a) 60 work stations; b) 60 telephones; c) 60 calculators; d) 60 software upgrades; and e) 36 desks.

New Proposals

1) Enhanced Child Support Enforcement - The legislature added $3.4 million total funds ($1.2 million general fund) over the biennium for enhanced child support enforcement activities. These funds were not requested by the executive. In addition to providing services to the regular and AFDC caseload, this new proposal will allow the department to expand efforts to collect child support in tribal cases and foster care cases where both parents are considered absent (obligor) parents, and will fund enhanced enforcement of AFDC cases.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Enhanced Child Support Enforcm		$597,373	$1,756,980		$575,499	$1,692,644
2 Welfare Reform-Workload Increa		146,807	431,782		408,480	1,201,412
3 Welfare Reform-Equipment		38,093	112,038		29,056	85,458
4 Personal Services Reductions	(7.00)		(258,510)	(7.00)		(260,434)
Totals	(7.00)	$782,273	$2,042,290	(7.00)	$1,013,035	$2,719,080

The legislature appropriated general fund for the state match since the child support state special revenue account will not have sufficient funds to support the increased costs. The department estimated that child support enforcement state special revenue would increase due to this new proposal, but that revenue collections would lag increased enforcement activity by more than six months. The legislature accepted the executive revenue estimate due to this new proposal ($379,726 in fiscal 1996 and $1,459,452 in fiscal 1997) and appropriated increased child support enforcement state special revenue to support part of the state share of AFDC benefit costs, reducing AFDC general fund costs by $1.8 million over the biennium. The legislature also reduced the AFDC biennial benefits appropriation by $1.1 million total funds ($0.3 million general fund) due to enhanced CSE activities, reasoning that some families would remain independent of AFDC when they receive CSE payments.

2) Welfare Reform Workload and 3) Equipment - The legislature approved the executive request for $1.8 million over the biennium ($0.6 million general fund) for CSE workload and equipment to implement the executive welfare reform proposal. General fund provides the state match for start up funds since CSE cash reserves were nearly depleted in fiscal 1994. Agency documentation notes that the proposal will be phased in and that there is a time lag between case referral, information gathering, order establishment, and enforcement. The department also pledged to deposit $0.6 million of CSE revenue to the general fund as part of its welfare reform proposal. The legislature added language to HB 2 directing that child support enforcement state special revenue fund cash balances in excess of $350,000 at fiscal year end be deposited to the general fund.

4) Personal Services Reductions - The legislature approved the executive recommendation to eliminate 7.0 FTE and reduce personal services costs by $518,944 over the biennium. The department noted that FTE reductions will be spread throughout the department and FTE will not necessarily be eliminated from this program.

Language

"The state share of AFDC-related support collections and all AFDC and non-AFDC federal incentive payments and program-collected fees must be deposited in the state special revenue account from which the state share of the administrative and operational costs of the Child Support Enforcement Program must be paid. The department shall transfer to the general fund from the child support enforcement account any cash balance in excess of $350,000."

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PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
STATE ASSUMED COUNTY ADMIN.								
FTE	198.35	0.00	0.00	198.35	0.00	0.00	198.35	198.35
Personal Services	5,421,281	205,185	0	5,626,466	232,450	0	5,653,731	11,280,197
Operating Expenses	1,084,597	15,846	16,685	1,117,128	17,145	95,198	1,196,940	2,314,068
Equipment	23,525	6,475	6,406	36,406	6,475	11,724	41,724	78,130
Benefits and Claims	0	0	70,000	70,000	0	70,000	70,000	140,000
Debt Service	4,016	(4,016)	0	0	(4,016)	0	0	0
Total Costs	$6,533,419	$223,490	$93,091	$6,850,000	$252,054	$176,922	$6,962,395	$13,812,395
Fund Sources								
General Fund	3,226,856	111,057	81,545	3,419,458	125,168	123,461	3,475,485	6,894,943
Federal Special	3,306,563	112,433	11,546	3,430,542	126,886	53,461	3,486,910	6,917,452
Total Funds	$6,533,419	$223,490	$93,091	$6,850,000	$252,054	$176,922	$6,962,395	$13,812,395

Program Description

The State-Assumed County Administration Program is responsible for welfare operations in the 12 counties in which the state has assumed responsibility for county welfare programs. Program activities include eligibility determinations for AFDC, medicaid, food stamps and energy assistance in the assumed counties.

Funding

The State-Assumed County Administration Program is funded with general fund and federal funds. Most program functions are funded 50 percent from general fund and 50 percent from federal funds. However, food stamp issuance costs on reservations are funded 25 percent general fund and 75 percent federal funds, resulting in a total program funding ratio slightly different than 50/50. General fund supports 49.92 percent of the total budget and federal funds support 50.08 percent.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$205,185	$232,450
2 Inflation/Deflation	13,232	14,531
3 Fixed Costs	(2,433)	(2,433)
Other Present Law Adjustments		
4 Communications/Contracted Services	$5,047	$5,047
5 Equipment	6,475	6,475
6 Loans	(4,016)	(4,016)
Total Present Law Adjustments	$223,490	$252,054

Present Law Adjustments

1) Personal Services - Personal services present law adjustments are due primarily to vacancy savings in fiscal 1994.

3) Fixed Costs - Expenditures of $2,410 were reallocated from Department of Administration deadhead mail services to postage, accounting for part of the increase in communications costs in item 4. The remaining reductions were due to removal of insurance and bond costs.

4) Communications and Contracted Services - Communications cost increases are due to reallocation of expenditures from deadhead mail services to postage costs. Contracted services increases to fund issuance of food stamps.

5) Equipment - The legislature approved $30,000 for equipment purchases each year including a present law adjustment of $6,475 annually. Each assumed county office will be allocated $2,500 per year to purchase laser printers, replacement computers, calculators, files, and desks. Equipment is funded 50 percent from the general fund and 50 percent from federal funds.

6) Loans - The base budget included loan expenses of $4,016 which are not carried forward in present law budgets.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 County Pilot Project		$70,000	$70,000		$70,000	$70,000
2 Welfare Reform-SACO Workld Inc		11,545	23,091		53,461	106,922
Totals		$81,545	$93,091		$123,461	$176,922

New Proposals

1) County Pilot Project - The legislature added $70,000 general fund each year to continue an indigent relief program in Deer Lodge County. This proposal was not included in the Executive Budget. The 1993 legislature appropriated $100,000 general fund each year for the indigent relief project because state general assistance and state medical assistance were eliminated. The 1993 legislature lowered the mill levy revenue that state assumed counties transferred to the state from 12 to 9 mills. Most state assumed counties could support indigent assistance programs using three mills of revenue. The 1995 legislature continued the appropriation because Deer Lodge County has a low mill value when compared to its indigent assistance needs.

2) Welfare Reform - SACO Workload Increase - The legislature approved the executive request for $130,013 over the biennium to fund workload increases in state-assumed counties to implement the executive welfare reform proposal. Most of the increase is to pay rent costs ($53,903 over the biennium) and training costs ($54,000 over the biennium). The balance of costs fund equipment and supplies and materials. The new proposal is funded 50 percent from the general fund and 50 percent from federal funds.

Language

"The department is appropriated funds for a pilot project in Deer Lodge County. The pilot project may include work, job training, subsistence payments, and preventive health programs for low-income people. The use of appropriated funds in item [county pilot project] is contingent on Deer Lodge County levying 12 mills for its poor fund for public assistance, protective services, and other benefits for low-income people."

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PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
MEDICAID SERVICES								
FTE	63.50	0.00	0.00	63.50	0.00	0.00	63.50	63.50
Personal Services	2,013,844	250,724	(113,228)	2,151,340	263,098	(114,247)	2,162,695	4,314,035
Operating Expenses	5,297,372	(979,674)	1,363,989	5,681,687	(908,139)	1,346,989	5,736,222	11,417,909
Equipment	347,591	(298,391)	0	49,200	(311,191)	0	36,400	85,600
Benefits and Claims	296,610,440	42,044,710	3,227,414	341,882,564	64,439,535	1,269,316	362,319,291	704,201,855
Transfers	1,731,337	559,700	300,000	2,591,037	650,990	0	2,382,327	4,973,364
Debt Service	1,291	(1,291)	0	0	(1,291)	0	0	0
Total Costs	$306,001,875	$41,575,778	$4,778,175	$352,355,828	$64,133,002	$2,502,058	$372,636,935	$724,992,763
Fund Sources								
General Fund	68,521,944	15,750,906	994,650	85,267,500	26,307,866	(739,662)	94,090,148	179,357,648
State/Other Special	11,077,740	(1,849,111)	0	9,228,629	(3,649,111)	0	7,428,629	16,657,258
Federal Special	226,402,191	27,673,983	3,783,525	257,859,699	41,474,247	3,241,720	271,118,158	528,977,857
Total Funds	$306,001,875	$41,575,778	$4,778,175	$352,355,828	$64,133,002	$2,502,058	$372,636,935	$724,992,763

Program Description

The Medicaid Services Division is responsible for administering the medicaid program and making financial recoveries for the department. The medicaid program, administered under federal regulations, serves persons who qualify for financial and medical assistance under federal programs. Financial recoveries are made in cases of public assistance overpayments and medicaid third-party liability collections, such as health and liability insurance. Statutory authority for the program is provided in Title 53, Chapter 6, MCA.

Funding

The Medicaid Services Division is funded with general fund, state special revenue, and federal funds. State special revenue is property tax revenue from the 12 state-assumed counties and donations from the Baby Your Baby public information program. County funds are budgeted as part of the state match for primary care medicaid benefits.

The legislature reclassified nursing home bed tax fees from state special revenue to the general fund in SB 83. During the 1995 biennium, nursing bed tax state special revenue provided a portion of the state match for nursing home benefits.

Most administrative costs in this program are funded 50 percent from general fund and 50 percent from federal funds, with some costs eligible for 75 percent federal match. A small portion of the state share of administrative costs are funded with Baby Your Baby state special revenue. The overall funding mix for program administration is 39.1 percent general fund, 1.4 percent state special revenue, and 59.5 percent federal funds.

All medicaid benefits are funded at 30.26 percent state funds and 69.74 federal funds in fiscal 1996, and 31 percent state funds and 69 percent federal funds in fiscal 1997 except Indian Health, which is largely supported by federal funds. The state medicaid match is determined from a federally designed formula that takes into account changes in state per capita income compared to changes in national per capita income. Montana per capita income has improved recently compared to national norms, so the state matching rate will rise during the 1997 biennium from the fiscal 1994 rate of 28.98 percent. The state medicaid match is also used for other benefit payment match rates including AFDC, most JOBS program benefits, most child care benefits, and foster care costs for eligible children and services.

Medicaid Services Budget Overview

The fiscal 1996 Medicaid Services Division budget increases 15.1 percent over the base budget and the fiscal 1997 budget increases 21.8 percent. Present law adjustments add $105.7 million total funds ($42.1 million general fund) over the biennium, while new proposals add $7.3 million total funds ($0.3 million general fund) over the biennium. Increases in benefit appropriations account for nearly all the expansion in the 1997 biennium program budget.

Growth in primary care costs (hospital, physician, drugs, and personal care services) is the single most significant change increasing a net of $49 million ($18.6 million general fund) over the biennium. The legislature authorized contracted services increases to control utilization and cost of medicaid services and, as a result, reduced primary care benefits appropriations by $14.4 million ($5.9 million general fund) over the biennium.

Overview of Benefits

Benefit appropriations comprise 97 percent of the 1997 biennium budget. Since benefit appropriations change due to present law adjustments and new proposals, total appropriations for each benefit are discussed in this overview.

Table 8 compares the base budget to the 1997 biennium legislative medicaid benefit appropriations. Total medicaid benefits increased at an annual average compounded rate of 6.9 percent from fiscal 1994 through fiscal 1997, while general fund increased at a rate of 11.5 percent. General fund increased at a higher rate than total funds for three reasons: 1) the 1997 biennium state match rate increased 1.28 percent above the fiscal 1994 match rate in fiscal 1994 and 2.02 percent in fiscal 1997; 2) SB 83 "de-earmarked" nursing home bed tax revenue, and the legislature increased nursing home general fund appropriations by $6.6 million in fiscal 1996 and $6.7 million in fiscal 1997 and reduced state special revenue appropriations by a like amount; and 3) a portion of Indian Health benefits now require a state match, whereas these benefits were previously supported entirely by federal funds.

Table 8
Fiscal 1994 Medicaid Benefits Base Budget
Compared to 1997 Biennium Appropriations

	-----Base Budget-----		-----Fiscal 1996-----		-----Fiscal 1997-----		Annual Rate of Change 94-97	
Benefit	Gen. Fund	Total	Gen. Fund	Total	Gen. Fund	Total	Gen. Fd.	Total
Primary Care	$41,262,284	$169,337,292	$47,693,594	$187,321,843	$53,475,154	$200,364,337	9.03%	6.77%
Nursing Homes	20,206,010	85,219,424	29,124,911	96,248,879	31,285,854	100,922,110	15.69%	5.80%
Institutions	0	13,128,463	0	14,065,475	0	14,607,432	N/A	3.39%
TCM Mentally Ill	0	2,071,626	0	3,791,488	0	4,769,370	N/A	32.04%
Res. Youth Psych.	0	8,861,737	0	10,915,164	0	10,800,335	N/A	6.82%
Indian Health	0	2,860,780	427,243	11,411,907	501,476	11,617,565	N/A	69.64%
Medicare Buy-In	1,763,287	6,084,275	2,355,610	7,787,872	3,090,227	9,968,475	20.57%	17.89%
Elder Waiver	648,805	2,237,127	1,164,126	3,847,078	1,191,212	3,842,622	22.45%	19.76%
Disabled Waiver	659,594	2,274,664	1,309,917	4,328,876	1,343,333	4,333,331	26.76%	23.97%
Med. Eligible Ed. Cost	278	131,882	0	241,106	0	303,290	N/A	32.00%
Other Benefits	0	0	0	1,921,877	0	890,323	N/A	N/A
Medicaid Accrual Adj.	947,577	4,403,280	0	0	0	0	N/A	N/A
Total	$65,487,835	$296,610,440	$82,076,400	$341,882,564	$90,887,254	$362,319,291	11.64%	6.90%
Percent of Total	22.08%	100.00%	24.01%	100.00%	25.08%	100.00%		

Medicaid growth rates have moderated significantly in the 1995 and 1997 biennia, compared to annual compounded rates of increase between 17 and 22 percent during the 1991 and 1993 biennia. Moderation in Montana medicaid benefits matches national trends. The decrease is due to: 1) cost containment measures implemented by the department and approved by the legislature; 2) industry wide shifts to less costly forms of care due to better medical technology and health care practices, such as the shift from inpatient to outpatient services and the shift from residential care to more community- and home-based care; 3) voluntary price controls exercised by health care providers due to national and state emphasis on health care reform; and 4) declining AFDC caseloads since AFDC recipients are also eligible for medicaid. It is difficult to quantify the influence of each of these elements on the moderation in cost increases.

The largest medicaid benefit is primary care, which includes services such as hospitalization, doctors, drugs, durable medical equipment, and personal care. The fiscal 1996 primary care appropriation increases $18 million from the base budget and fiscal 1997 increases $31.1 million. The compounded annual rate of change from the base budget to fiscal 1997 is 5.8 percent total funds and 9 percent general fund. Growth in primary care is related to: 1) inflation in the cost of medical services; 2) increases in utilization of services; 3) hospital and children's dental services provider rate increases; and 4) caseload growth.

Skilled nursing care benefits increased $11 million above the base budget in fiscal 1996 and $15.7 million in fiscal 1997. Total nursing home benefits increase at an annual average compounded rate of 5.8 percent from the base through fiscal 1997 and general fund appropriations grow 15.7 percent annually, nearly triple the growth in total funds. As noted previously, SB 83 reclassified nursing home bed tax as general fund instead of state special revenue, causing the disproportionate increase in the general fund. (The 1993 legislature passed HB 333, which extended the bed tax to all payors, raised the tax from $2.00 per day in fiscal 1993 to $2.80 in fiscal 1995, and classified the tax as state special revenue). Nursing home bed tax state special revenue paid $4.7 million (5.5 percent) of the state share of nursing home benefits in fiscal 1994.

Federal matching funds are budgeted in this program for medicaid benefits administered by the Mental Health and Special Services programs--institutional reimbursement, targeted case management (TCM) for the mentally ill, and youth residential psychiatric care.

Institutions costs are reimbursements for services provided in medicaid-eligible state-owned facilities for the elderly and developmentally disabled persons. The Montana Development Center at Boulder and Eastmont Human Services Center receive the predominant amount of federal reimbursement. Medicaid reimbursement of State Hospital costs is restricted to eligible persons under 21 or over 65 years of age, so the state receives limited reimbursement for State Hospital services. All state institutions costs are paid from the general fund and federal medicaid reimbursement is deposited as revenue to the state general fund.

The state match for TCM for the mentally ill is included in the general fund appropriated in the Mental Heath Program to contract for services with the Community Mental Health Centers. The general fund match for youth residential psychiatric care was budgeted in the DFS during the 1995 biennium. DFS was eliminated by SB 345 and residential psychiatric benefits were transferred to the Mental Health Program for the 1997 biennium. SRS transferred $1 million general fund from the primary care medicaid appropriation to DFS to cover residential psychiatric cost overruns in fiscal 1994 and may transfer up to $4.3 million to cover cost overruns in fiscal 1995, according to department estimates. Residential psychiatric care is discussed in more detail in the Mental Health Program narrative.

Indian health benefits reimburse the Indian Health Service (IHS) for medical services provided to medicaid-eligible persons on the Flathead, Blackfeet, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations. In fiscal 1994, Indian health benefits were entirely federally funded. However, in fiscal 1995, some IHS providers opted to become regular medicaid providers rather than receive reimbursement through IHS. Costs of the former IHS providers must be paid at the regular medicaid match rate with the state contributing about 30 percent of the funds. Indian health benefits show the largest growth of any medicaid benefit, increasing at an average annual compounded rate of 59.5 percent between the base budget and fiscal 1997. Federal funds support the majority of the increase.

The medicare buy-in pays for medicare Part B premiums for medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for medicaid. Buy-in benefits increase due to: 1) a projected 28 percent annual increase in premium costs; and 2) an increase in the number of eligible recipients.

The medicaid waiver program provides community-based services for the physically disabled and elderly persons. Waiver services are not available statewide. Persons served in the waiver must require the level of care provided by nursing facilities. The waiver also includes persons who, without waiver services, would be hospitalized. The 1997 biennium costs rise due to: 1) annualization of fiscal 1995 increases authorized by the 1993 legislature; and 3) expansion in the number of waiver "slots" authorized by the 1995 legislature.

Medicaid-eligible education costs are reimbursements to schools for medically necessary services provided to medicaid-eligible children. The general fund match is budgeted in the Office of Public Instruction.

Other benefits include: 1) federal matching funds (a $1 million biennial appropriation in fiscal 1996) for medicaid-eligible services provided to eligible persons by local public health care providers; and 2) federal match ($1.8 million over the biennium) for therapeutic group home care for youth sexual offenders. Both of these new proposals were legislative initiatives not included in the Executive Budget request. The state match for local health care provider benefits will be from local matching funds or the general fund appropriation in the Health Services Division to assist local public health care providers to become medicaid providers. The general fund match for youth sex offender programs is in the Juvenile Corrections Division budget in DOC.

Medicaid accrual adjustments are accounting entries to adjust accruals for prior year expenditures.

Present Law Adjustments

The Medicaid Services present law base budget increases $105.7 million ($42.1 million general fund) over the biennium, due entirely to benefit increases.

1) Personal Services - The legislature added $513,822 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, position upgrades, and turnover. Personal services costs are funded 44.5 percent from the general fund with the balance supported by federal funds. The general fund share is less than 50 percent since some positions receive enhanced federal funding.

2) Inflation/Deflation and 3) Fixed Costs - Deflationary adjustments reduce operating costs $72,963 over the biennium, largely due to reductions in mainframe computer rates. Fixed costs decline $209,478 over the biennium, due almost entirely to: 1) consolidation of legislative audit costs in Operations and Technology Division (OTD) ($71,647 each year); and 2) reductions in rent ($56,000) each year.

4) Contracted Services - Present law adjustments for contracted services reduce operating costs a net of $1.7 million over the biennium. Transfer of the Medicaid Management Information System (MMIS) contract to the OTD results in a biennial reduction of $4.3 million. Other contract increases offset the reduction. Most contracts are funded 50 percent from the general fund and 50 percent from federal funds. Contracts with different funding ratios will be noted.

Passport/HMO Managed Care - The legislature authorized $1.9 million over the biennium to contract for administration of the physical health managed care program. Primary care medicaid benefits were reduced $3.9 million over the biennium due to managed care activities. The legislature increased benefit savings due to implementation of managed care by $0.6 million in fiscal 1997, anticipating that the department would enroll a higher number of medicaid recipients in that year. The net impact of funding this contract and offsetting benefit reductions is a decrease of $0.3 million general fund over the biennium.

Pharmacy Point of Sale/Drug Utilization Review/Pharmacy Consultant - The legislature funded three contracts related to medicaid drug benefits: a) pharmacy point of sale; b) drug utilization review; and c) pharmacy consultant. The first, a point of sale contract, adds $290,000 each year of the biennium to implement a claims processing system that allows prior authorization of certain drugs and prospective drug utilization review. The second contract for drug

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$250,724	$263,098
2 Inflation/Deflation	(21,089)	(51,874)
3 Fixed Costs	(105,573)	(103,905)
Other Present Law Adjustments		
4 Contracted Services		
a Passport/HMO Managed Care	884,433	970,214
b Pharmacy Point of Sale/Drug Utilization/Pharmacy Consultant	454,247	472,618
c Transportation Managed Care	244,346	244,346
d Hospital Acute Care Utilization	74,183	74,183
e Nursing Home and Hospital Audits	70,552	70,552
f Other Contracted Services Diff.	79,279	75,779
g MMIS Operations Contract	(2,155,704)	(2,155,704)
h MMIS Enhancements	(258,335)	(258,335)
i Mental Health Managed Care	(173,808)	(173,808)
j ABT Hospital Rate Study	(128,274)	(128,274)
5 Rent	56,069	56,069
6 Equipment	(298,391)	(311,191)
7 Benefits		
a Primary Care	19,243,334	35,963,142
b Nursing Homes	8,465,135	10,387,596
c Indian Health	8,551,127	8,756,885
d Residential Youth Psychiatric Care	2,054,427	1,938,598
e TCM Mentally Ill	1,719,862	2,697,744
f Elder Waiver	1,609,951	1,605,495
g Disabled Waiver	2,054,311	2,058,767
g Medicare Buy-In	1,703,597	3,884,201
i Medicaid Eligible Education Costs	109,224	171,408
j Institutional Reimbursement	937,022	1,378,979
k Medicaid Accrual Adjustments	(4,403,280)	(4,403,280)
8 Transfer/Debt Service	558,409	649,699
9 SB83 - General Fund Increase	6,611,179	6,665,040
SB83 - State Special Revenue Decrease	(6,611,179)	(6,665,040)
Total Present Law Adjustments	$41,575,778	$64,133,002

utilization review (required by the Omnibus Budget Reconciliation Act of 1990 (OBRA 90)) adds $110,447 in fiscal 1996 and $128,818 in fiscal 1997. Contract costs increase due to annualization of a partial year contract in fiscal 1994 and review of additional cases. The third contract funded a pharmacy consultant for support of the drug utilization review program for an additional $53,800 each year. The consultant will assist with development of program policies and rules. Two of the three contracts, drug utilization review and point of sale, are funded 25 percent from the general fund and 75 percent from federal funds.

The legislature reduced primary care benefit costs by $3.4 million over the biennium due to approval of these contracts, while the Executive Budget did not include any savings. The net general fund impact of the contracts and benefits savings is $0.9 million over the biennium.

Transportation Managed Care - The legislature added funds to continue contracting for management of transportation services. The contractor will insure that: a) travel is necessary and appropriate; b) only necessary ancillary services are reimbursed; c) travel is coordinated to minimize multiple trips; and d) travel rates are negotiated with providers when possible. The contract adds $244,246 each year. The legislature accepted the executive reduction to primary care medicaid benefits of $536,179 each year of the biennium due to implementation of transportation managed care, resulting in biennial general fund savings of $84,217.

Hospital Acute Care Utilization Review - The legislature authorized an increase in utilization review contracts. PHHS contracts for hospital utilization review and authorization or denial of: a) targeted inpatient hospitalizations; b) hospital admissions; c) transplants; and d) 1 to 2 day hospital stays. The contract also identifies high cost cases suitable for case management services. Contract costs are funded 25 percent from general fund and 75 percent from federal funds. The legislature reduced primary care benefits by $2.5 million each year of the biennium due to expansion of this contract. Net general fund savings are $1.5 million over the biennium.

CPA Audits of Nursing Homes/Blue Cross Hospital Audits - PHHS contracts for audits of nursing home and hospital financial records. Audit findings determine over or under payments and the accuracy of financial records, and insure compliance with state and federal rules. Costs increase $70,552 annually.

Other Contracts - The legislature authorized increases in other contracts for a net of $155,058 over the biennium to fund: a) prior authorization of speech, occupational, and physical therapy contracts; b) utilization review of augmentative speech devices; c) physician, orthodontia, pediatric dental, and audiology consultants; d) medical records update; and e) other contracts. Most of the contracts are funded 50 percent general fund and 50 percent federal funds; however, a small amount of contract costs are funded 25 percent from the general fund and 75 percent from federal funds.

MMIS Operations Contract - The MMIS operations contract, funded 25 percent general fund and 75 percent federal funds, was transferred to OTD.

MMIS Enhancements - The legislature reduced costs for MMIS enhancements to $750,000 annually. Enhancements are needed if federal regulations change or if new programs such as welfare reform are enacted. Reductions are funded 25 percent from general fund and 75 percent from federal funds.

Other Contract Reductions - Two other contracts included in the base budget will not be continued: a) the hospital study; and b) initial studies for mental health managed care.

5) Rent - Reallocation of rent costs among fixed costs and other rent categories results in a biennial increase of $112,138.

6) Equipment - Present law adjustments for equipment reduce total operating expenditures by $609,582 over the biennium. The base budget includes purchase of a computer to operate MEDSTAT (medical data statistical system) for $150,000 in fiscal 1994.

The equipment budget includes $104,800 over the biennium for: a) 8 replacement desks; b) replacement of 16 personal computers; c) 4 printers and server units; and d) software upgrades. Agency documentation notes that personal computer upgrades will allow staff to use the new MEDSTAT system.

7) Benefits - Present law adjustments for medicaid benefits add $106.5 million over the biennium.

Primary Care - The legislature approved $55.2 million total funds ($16.5 million general fund) over the biennium for primary care present law adjustments due to utilization of more services, medical inflation, and caseload increases. Base budget expenditures were $169.3 million in fiscal 1994.

Primary care appropriations were reduced $6.1 million total funds ($1.8 million general fund) in fiscal 1996 and $8.6 million total funds ($2.6 million general fund) in fiscal 1997. Most of the savings were due to revisions of cost estimates. While a portion of these savings were proposed by the executive, the legislature increased anticipated savings in the primary care budget $4.4 million total funds over the biennium ($1.3 million general fund) above the level included in the Executive Budget. The executive identified savings due to implementation of mental health managed care, expansion of the Passport and HMO physical health managed care, continuation of the medical transportation managed care, and hospital audits. Legislative savings are due to enhanced drug utilization review, implementation of a drug formulary, expansion of physical health managed care in fiscal 1997, and reductions in the fiscal 1996 growth rates.

Nursing Homes - The legislature authorized an increase of $18.9 million total funds in nursing home costs over the biennium. Base budget expenditures were $85.2 million. Growth is due to increased caseloads and annualization of the fiscal 1995 increase in the nursing home bed tax authorized by the 1995 legislature.

Indian Health - The legislature accepted the revised executive request for Indian Health benefits, an increase of $17.3 million total funds ($0.9 million general fund) over the biennium. For the first time, Indian Health benefits will include general fund match because two tribes have elected to become regular medicaid providers instead of accepting

reimbursement through the Indian Health Services (IHS). IHS is funded 100 percent from federal funds, while medicaid benefits require a 30 percent state match. Base budget expenditures were $2.9 million.

Residential Youth Psychiatric Care - The legislature authorized $4 million additional federal authority over the biennium for residential youth psychiatric benefits. The general fund match is budgeted in the Mental Health Program. Once PHHS implements the mental health managed care program, residential psychiatric benefits will be included in the contract payment pool. Base budget expenditures were $8.9 million.

Targeted Case Management (TCM) for the Mentally Ill - The legislature approved $4.4 million additional federal funds for TCM for the mentally ill. The general fund match is budgeted in the Mental Health Program as part of the general fund contracts with community mental health centers. As with residential youth psychiatric benefits, TCM benefits will become part of the contract payment pool once mental health managed care is implemented. Base budget expenditures were $2.1 million.

Elder and Disabled Waivers - The legislature accepted the revised executive request for waiver benefits and appropriated $7.3 million more funds ($2.2 million general fund) over the biennium for elder and disabled waiver benefits. Costs increase due to: 1) fiscal 1995 expansion approved by the 1993 legislature; 2) implementation of legislative direction to increase assisted living and home-based services up to $1 million general fund during the 1995 biennium, if adequate authority remained in the primary care appropriation; and 3) growth in the number of eligible recipients. Base budget expenditures were $4.5 million.

Medicare Buy-in - The legislature accepted the revised executive request for medicare buy-in and appropriated $5.6 million total funds ($1.7 million general fund). Benefits increase due to medicare premium increases estimated to be 28 percent annually, and an increased number of eligible recipients. Base budget expenditures were $6.1 million.

Medicaid-Eligible Education Costs - The legislature approved $280,632 federal funds over the biennium for medicaid-eligible services provided by schools. The general fund match is budgeted in the Office of Public Instruction.

Institutions - The legislature accepted the revised executive request for federal authority for state institutional reimbursement for medicaid-eligible costs and approved increases of $2.3 million over the biennium. Base budget expenditures were $13.1 million.

Medicaid Accrual Adjustment - Accounting entries made to adjust prior year expenditures and accruals result in negative adjustments of $8.8 million total funds and $1.9 million general fund over the biennium.

8) Transfers/Debt Service - The legislature approved increases of $1.2 million in federal and state special revenue authority over the biennium for transfers to fund DD case management services and the Baby Your Baby information campaign. Debt service is not carried forward in the 1997 biennium, resulting in a $2,582 reduction over the biennium.

9) SB 83 - Funding Change - The legislature passed SB 83, which de-earmarked certain tax and fee sources. Instead of being classified as state special revenue these tax/fee sources are now deposited directly to the general fund. SB 83 de-earmarked the nursing home bed tax fee. The legislature reduced state special revenue nursing home benefit appropriations and increased general fund appropriations by a like amount.

New Proposals

1) Liens and Estate Recoveries - The legislature approved a reduction in medicaid costs of $0.9 million over the biennium ($0.2 million general fund) due to: a) implementation of a lien and estate recovery system; and b) an aggressive public service campaign designed to inform people that medicaid is harder to qualify for and assets are subject to later recovery. PHHS will contract for development of a computerized tracking system to identify assets

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Liens & Estate Recoveries	0.00	($86,560)	($410,000)	0.00	($141,000)	($510,000)
2 Outpatient Hospital Savings	0.00	(209,661)	(692,866)	0.00	(248,669)	(802,158)
3 Medicaid Selective Contracting	0.00	(23,020)	(125,000)	0.00	(124,000)	(400,000)
4 Audit Funds/RTC's/Hospitals	0.00	51,000	(190,908)	0.00	51,000	(187,800)
5 Medical Support Section	0.00	(10,667)	(60,814)	0.00	(19,607)	(84,814)
6 Prov Rate Inc/Kids Dental	0.00	257,304	850,310	0.00	287,952	928,878
7 Assess Long Term Care Recipients	0.00	0	0	0.00	275,000	550,000
8 LTC Computerized Ass'mt Tool	0.00	75,000	150,000	0.00	10,000	20,000
9 Mental Health Managed Care	0.00	0	0	0.00	(2,100,000)	(2,100,000)
10 Rebase DRG System	0.00	75,000	150,000	0.00	0	0
11 MMIS-TPL Enhancement	0.00	(146,952)	(474,192)	0.00	(150,948)	(474,192)
12 Contract/Develop RBRV's System	0.00	50,000	100,000	0.00	0	0
13 Welfare Reform-Prim Care Decre	0.00	(163,924)	(541,718)	0.00	(749,420)	(2,417,485)
14 Managed Care Support Cont.	0.00	36,497	72,995	0.00	32,497	64,995
15 MEDSTAT Contract	0.00	(116,681)	(312,761)	0.00	(219,489)	(626,932)
16 Inpatient Hospital Rate Increase	0.00	299,622	990,160	0.00	573,624	1,850,400
17 Nursing Home Rate Increase	0.00	957,524	3,164,320	0.00	1,833,678	5,915,090
18 Local Health Care Provider	0.00	0	1,300,000	0.00	0	0
19 Juvenile Sex Offender Program	0.00	0	921,877	0.00	0	890,323
20 Personal Services Reductions	0.00	(49,832)	(113,228)	0.00	(50,280)	(114,247)
Totals	0.00	$994,650	$4,778,175	0.00	($739,662)	$2,502,058

of medicaid long-term care (LTC) recipients, track the assets and secure liens against the assets. Benefit reductions are possible due to passage of SB 236 to implement changes to statutes governing medicaid liens and estate recovery. SB 236 is discussed in greater detail in the "Other Legislation" section.

Savings are due to annual benefit reductions of $600,000, which are partially offset by contracted services costs of $190,000 in fiscal 1996 and $90,000 in fiscal 1997. Ongoing program administration costs are expected to be $90,000 per year based on a 15 percent contingency fee to the contractor and ongoing savings are expected to be $600,000 per year. The additional $100,000 in fiscal 1996 will fund a public education campaign.

2) Outpatient Hospital Savings - The legislature adopted department estimates of $1.5 million total funds ($0.5 million general fund) savings due to implementation of a prospective payment system for outpatient hospital procedures. This new proposal was not included in the original Executive Budget, but was adopted by the department as part of its revised estimates of medicaid benefit expenditures.

3) Medicaid Selective Contracting - The legislature reduced total funds $0.5 million over the biennium ($0.1 million general fund) due to selective contracting with out-of-state hospitals for provision of services that are not available in state. PHHS estimates that it can contract for half of the services now provided by out-of-state hospitals at a savings of 10 percent annually ($400,000). Fiscal 1996 savings are for half the year and are partially offset by $75,000 of contracted services.

4) Audit Funds/RTC's/Hospitals - The legislature reduced federal funds $0.6 million over the biennium due to audits of residential treatment centers. The Executive Budget included general fund savings of $0.16 million over the biennium. However, due to an oversight, general fund reductions were included in the medicaid budget, but should have been taken from residential psychiatric care benefits in the Mental Health Program. The legislature removed general fund savings from the medicaid budget. Audits will be contracted for a cost of $102,000 each year, funded 50 percent from the general fund.

5) Medical Support Section - The legislature reduced funds $0.1 million over the biennium ($0.03 million general fund) to contract for assistance in recovering payments and in reviewing provider and recipient utilization. Department documentation notes that there are 250 open cases and that previous experience indicates that the majority of these cases will have recoverable over-payments. Contracted services costs of $74,372 over the biennium are offset by $220,000 of benefit reductions. The legislature increased benefit reductions included in the Executive Budget by $60,000 over the biennium based on previous department experience.

6) Provider Rate Increase/Kids Dental - The legislature approved the executive request to add $1.8 million total funds ($0.5 million general fund) over the biennium to raise dental rates for children's services. The legislature also added language to HB 2 requiring that the appropriation be used only for dental rate increases for children's services.

7) Assess Long Term Care (LTC) Recipients and 8) LTC Computerized Assessment Tool - The legislature added $170,000 over the biennium ($85,000 general fund) to develop a computerized long term care assessment tool. The assessment tool and system will assist LTC workers in determining what services are appropriate and most effective for medicaid LTC recipients.

The legislature also approved $550,000 in fiscal 1997 to perform baseline assessments of 11,000 LTC recipients. Ongoing costs to update existing assessments and to perform assessments for new LTC applicants are estimated to be $20,000 per year. The assessments are funded 50 percent from the general fund and 50 percent from federal funds.

9) Mental Health Managed Care - The legislature reduced general fund $2.1 million in fiscal 1997 in anticipation of savings from implementation of the mental health managed care project. Mental health managed care savings for three programs (Medicaid Services, Mental Health, and Program Management) are included in this new proposal. At the request of the department, the legislature removed $2.1 million general fund savings in fiscal 1996 that was originally included in the Executive Budget, since mental health managed care will be delayed until fiscal 1997.

10) Rebase DRG System - The legislature added funds in fiscal 1996 to contract for recalibration of the DRG (diagnostic related group) prospective inpatient hospital payment system. DRG's must be updated in order to implement the inpatient hospital rate increase approved by the legislature (see item 16).

11) MMIS-TPL Enhancement - The legislature reduced total funds $0.9 million ($0.3 million general fund) over the biennium to contract for automated tracking of some third party liability (TPL) functions, including: input of TPL leads from outside sources; maintaining a TPL database; and financial reporting functions. Operating costs are funded 25 percent from the general fund and 75 percent from federal funds. Agency documentation notes that contracting these functions will free up one FTE to pursue health insurance premium payment referrals. The legislature increased annual benefit savings by $540,000 due to the enhancements. Benefit savings are funded about 30 percent from the general fund.

12) Contract/Develop RBRV's System - The legislature approved a biennial appropriation of $0.1 million in fiscal 1996 ($0.05 million general fund) to contract for development of a resource based relative value (RBRV) reimbursement system for physician services. The RBRV system weights procedures by the time required to perform the procedure and the complexity of the procedure. The relative value would be multiplied by a base physician rate to arrive at a fee for the service. This approach would move away from a market based approach to a reimbursement method based on resources used. PHHS staff note that the medicare program and private health insurers are moving to a RBRV

system. PHHS staff are unsure of the potential impact on physician fees. However, fees have not been updated since 1982. The Executive Budget originally included the request for fiscal 1997.

13) Welfare Reform-Primary Care Decrease - The legislature reduced primary care medicaid benefits by $3 million over the biennium ($0.9 million general fund) due to the executive welfare reform proposal that reduces the medicaid benefit package available to AFDC adults. Benefit reductions include the following services: dental; optometric; eye glasses; hearing aids; audiology; and occupational, speech, and physical therapy. The legislature accepted the department's revised welfare reform request due to a three-month delay in implementation. Medicaid savings due to welfare reform were $0.2 million lower over the biennium ($0.1 million general fund) due to the delay.

14) Managed Care Support Contract - The legislature added $0.1 million over the biennium ($0.07 million general fund) to contract for support services for the managed care section including: maintaining program files; developing program evaluation tools for managers; investigating enrollment problems and recommending solutions; and performing other clerical and word processing duties.

15) MEDSTAT Contract - The legislature reduced medicaid expenditures $0.9 million over the biennium ($0.3 million general fund) for the ongoing contract cost of the MEDSTAT (medicaid statistical data base) system acquired in fiscal 1995. The system will maintain 30 months of medicaid paid claims data and facilitate a variety of statistical and mathematical analysis of the data, including custom designed user programs. The legislature added $1.8 million of benefit savings due to MEDSTAT that were not included in the original executive request. Benefit reductions are funded at 30 percent state match. Operating costs of $419,000 per year, funded 50 percent from state funds, partially offset benefit reductions.

16) Inpatient Hospital Rate Increase - The legislature added $2.8 million total funds ($0.9 million general fund) over the biennium for a 3 percent rate increase for inpatient hospital services. The executive requested funds for a 4 percent annual rate increase.

17) Nursing Home Rate Increase - The legislature added $9.1 million total funds ($2.8 million general fund) over the biennium for a 3 percent rate increase for nursing homes. The executive requested a 4 percent rate increase.

18) Local Health Care Provider - The legislature added a biennial appropriation of $1.3 million federal funds so that local health care providers can claim matching federal funds for the cost of local health services provided to medicaid-eligible persons. The legislature added matching funds of $300,000 general fund and $300,000 state special revenue in the Health Services Division to fund the state share of administrative and benefit costs.

19) Juvenile Sex Offender Program - The legislature added $1.8 million in federal medicaid authority to match general fund appropriated to DOC for treatment of juvenile sex offenders. The legislature added federal matching funds if treatment can be provided in therapeutic group homes.

20) Personal Services Reductions - The legislature approved $227,475 vacancy savings over the biennium ($100,112 general fund), or about 5 percent of program personal services expenditures. The reduction is equivalent to 3.1 FTE each year, based on an average cost per program FTE.

Language

"The department shall implement 53-6-101(10) if medicaid expenditures exceed appropriations in [this act] in either year of the biennium."

"The department shall perform a statistically valid survey of dentists to determine usual and customary charges for children's dental services during fiscal year 1996. The department shall compute the 1999 biennium cost of establishing medicaid reimbursement for children's dental services at 80% of usual and customary charges based on

the survey results. The executive budget must publish by fiscal year the 1999 biennium cost to fund medicaid reimbursement for children's dental services at 80% of survey rates."

"The legislature intends that $70,653,143 of the amount in fiscal year 1996 and $77,127,105 of the amount in fiscal year 1997 in item [Medical Assistance] are appropriated for hospital medicaid benefits."

"Because of de-earmarking by Senate Bill No. 83, item [Medical Assistance] has been reduced by $6,611,179 in state special revenue in fiscal year 1996 and by $6,665,040 in state special revenue in fiscal year 1997 and general fund amounts have been increased by the same amounts. If Senate Bill No. 83 is not passed and approved in a form that de-earmarks the state special revenue, then the general fund amounts in item 6 are reduced by $6,611,179 in fiscal year 1996 and $6,665,040 in fiscal year 1997 and the state special revenue amounts are increased by the same amounts." (SB 83 was passed and approved.)

"Funds in item [pediatric dental consultant/orthodontia consultant] must be used to contract for orthodontia consultation and pediatric dental consultation for medicaid dental claims, medicaid policy development, and representation of the department in fair hearings."

"The department may use fund in items [hospital and nursing home rate increases] to increase rates paid for medicaid services purchased from hospitals and nursing homes. If hospital or medicaid providers sue the department to obtain additional increases in medicaid rates, the department may use the funds to defend the state against the lawsuit. In the event the defense is unsuccessful, the department may reallocate the funds from other appropriations to fund nursing home and hospital rate increases."

"Funds in item [dental increase - children's services] may be used only for rate increases for children's dental services. Funds in item [dental increase - children's services] may not be transferred to other uses in the department or to another department."

"If Senate Bill No. 236 is passed and approved and if the department collects estate recoveries and other savings due to Senate Bill No. 236 in excess of $600,000 in fiscal year 1996 or $600,000 in fiscal year 1997, up to $1 million of general fund money and matching federal funds of those excess savings are appropriated each year for independent living and community-based medicaid services." (SB 236 was passed and approved.)

"It is the intent of the legislature that in fiscal year 1996 and fiscal year 1997, any unexpended portion of the department's general fund appropriation, up to $500,000 for the biennium, may be awarded by the department for the purposes of providing primary and preventative health care benefits to children who are uninsured and not eligible for medicaid benefits. To qualify, the family income may be no greater than 185% of the federal poverty level. The department may contract with public or private entities for the administration and provision of these services. These funds may be allocated only to those programs that have established a statewide network of medical providers who have agreed to accept reimbursement at a lower rate than would normally be charged for their services."

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PUBLIC HEALTH & HUMAN SERVICES **TDD PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	93,717	2,406	(4,806)	91,317	2,796	(4,826)	91,687	183,004
Operating Expenses	420,094	141,022	0	561,116	199,310	0	619,404	1,180,520
Equipment	0	23,625	0	23,625	23,625	0	23,625	47,250
Total Costs	$513,811	$167,053	($4,806)	$676,058	$225,731	($4,826)	$734,716	$1,410,774
Fund Sources								
State/Other Special	513,811	167,053	(4,806)	676,058	225,731	(4,826)	734,716	1,410,774
Total Funds	$513,811	$167,053	($4,806)	$676,058	$225,731	($4,826)	$734,716	$1,410,774

Program Description

The Telecommunications Devices for the Deaf Program (TDD) furnishes specialized telecommunications equipment and provides a dual-party relay system to connect persons who are handicapped with public telecommunications service. An 11 member committee, appointed by the Governor, oversees administration of the program. The TDD program is provided for in Title 53, Chapter 19, Part 3, MCA.

Funding

The TDD Program is funded from a 10 cent monthly assessment on each Montana telephone access line. Telephone exchange companies may deduct 3/4 of 1 percent of the total charges billed to cover administrative expenses.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$2,406	$2,796
2 Inflation/Deflation	315	63
3 Fixed Costs	14	14
Other Present Law Adjustments		
4 Contracted Services	140,052	198,252
5 Rent	641	981
6 Equipment	23,625	23,625
Total Present Law Adjustments	$167,053	$225,731

Present Law Adjustments

1) Personal Services - The legislature appropriated $5,202 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover.

4) Contracted Services - The legislature accepted the executive request for $338,304 over the biennium for contracted services. The cost of relay services adds $258,956 and the cost to annualize the contract for an equipment trainer adds $39,004. A new contract for public advertising and outreach adds $40,344 over the biennium.

6) Equipment - The present law budget includes $23,625 for equipment each year of the biennium for telephone amplification equipment and terminals for hearing-impaired people.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions			($4,806)			($4,826)
Totals			($4,806)			($4,826)

New Proposal

1) Personal Services Reductions - The legislature accepted the executive proposal of $9,632 in vacancy savings over the biennium.

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PUBLIC HEALTH & HUMAN SERVICES **OPERATIONS & TECHNOLOGY DIVISI**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	94.50	0.00	(3.00)	91.50	0.00	(28.00)	66.50	66.50
Personal Services	2,937,567	206,828	(125,813)	3,018,582	221,715	(951,264)	2,208,018	5,226,600
Operating Expenses	12,869,904	(2,679,648)	731,762	10,922,018	(3,004,063)	662,487	10,528,328	21,450,346
Equipment	116,502	113,919	4,000	234,421	62,511	0	179,013	413,434
Transfers	234,880	(24,743)	400,000	610,137	(24,743)	400,000	610,137	1,220,274
Debt Service	81,632	(81,632)	0	0	(81,632)	0	0	0
Total Costs	$16,240,485	($2,465,276)	$1,009,949	$14,785,158	($2,826,212)	$111,223	$13,525,496	$28,310,654
Fund Sources								
General Fund	5,842,506	(1,361,661)	443,368	4,924,213	(1,485,127)	(40,432)	4,316,947	9,241,160
State/Other Special	930,828	601,224	(9,048)	1,523,004	559,134	(2,651)	1,487,311	3,010,315
Federal Special	9,467,151	(1,704,839)	575,629	8,337,941	(1,900,219)	154,306	7,721,238	16,059,179
Total Funds	$16,240,485	($2,465,276)	$1,009,949	$14,785,158	($2,826,212)	$111,223	$13,525,496	$28,310,654

Program Description

The Operations and Technology Division administered the accounting function, budget management process, financial audits, quality control reviews, and computer information systems for the Department of Social and Rehabilitation Services. Functions and duties of this program will likely be recombined with other management and administrative programs and functions transferred to the new PHHS from the Departments of Health and Environmental Sciences, Family Services and Corrections and Human Services. The program is presented separately in order to provide an easy reference between the Executive Budget proposal, legislative action, and the Executive Budget that will be presented to the 55th Legislature.

Financial audits are periodically conducted on all programs administered by the department. Quality control reviews are conducted on selected AFDC, food stamp, and medicaid cases to ensure compliance with state and federal laws and regulations. The program is assigned responsibility for management and operation of two large computer information systems--The Economic Assistance Management System (TEAMS) and the System for Enforcement and Recovery of Child Support (SEARCHS). The program also manages the Montana Automated Child Care System (MACCS).

Funding

The Operations and Technology Division is funded with general fund, state special revenue, and federal funds. State special revenue includes county funds (property tax revenue from non-assumed counties), child support enforcement funds, and handicapped telecommunications fees.

Program administration costs, less costs charged directly to a funding source, are based on several different cost allocation plans that are reviewed and approved by federal agencies. In aggregate, administration costs are funded 37.3 percent from the general fund, 8.6 percent from state special revenue, and 54.1 percent from federal funds.

SEARCHS costs are funded 34 percent from CSE funds and 66 percent from federal funds.

TEAMS costs are funded 44 percent from general fund, 6 percent from county funds, and 50 percent from federal funds. Non-assumed counties are billed for TEAMS system time actually used.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$206,828	$221,715
2 Inflation/Deflation	(236,682)	(569,956)
3 Fixed Costs	241,394	91,431
Other Present Law Adjustments		
4 Contracted Services	(2,695,043)	(2,536,221)
5 Equipment	113,919	62,511
6 Other Adjustments	(95,692)	(95,692)
Total Present Law Adjustments	($2,465,276)	($2,826,212)

Present Law Adjustments

1) Personal Services - The legislature added $428,543 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover. Unless otherwise noted, items are funded at the overall program administration funding mix (37.3 percent general fund, 8.6 state special revenue, and 54.1 percent general fund).

2) Inflation/Deflation and 3) Fixed Costs - Present law adjustments for deflation are due mostly to mainframe computer rate reductions. Fixed cost adjustments add $332,825 over the biennium.

4) Contracted Services - Contracted services costs decline by a net of $5.2 million over the biennium, due to $5 million of accruals in the base budget that were not carried forward in fiscal 1996 and 1997. The legislature approved the executive request for the following increases in contracted services, which partially offset the annual reduction due to base budget accruals.

MMIS Operations - The Medicaid Management Information System (MMIS) contract ($2.7 million total funds over the biennium and $0.7 million general fund) was transferred from and recorded in the Medicaid Services Division base budget, so the entire cost shows as an adjustment in this program. Contract costs are inflated 2.39 percent each year and are funded 25 percent from the general fund and 75 percent from federal funds.

TEAMS Facilities Management Contract - PHHS contracts with a private firm to manage and operate TEAMS. Contract increases add $1 million over the biennium, from an annual base budget of $2.8 million. The increases include a cost of living inflation adjustment and workload adjustments due to the Montana Automated Child Care System (MACCS). This contract is funded 50 percent from the general fund and 50 percent from federal funds.

SEARCHS Mainframe Processing - The 1997 biennium budget includes $0.7 million for mainframe processing costs (before deflation). This adjustment is funded 34 percent from CSE funds and 66 percent from federal funds.

SEARCHS Facilities Management Contract - The facilities management contract for SEARCHS increases $0.2 million annually over the base, due to: a) adjustments to add costs that were accrued against fiscal 1994 TEAMS costs; and b) a cost of living annual inflation adjustment. SEARCHS is funded 34 percent from CSE funds and 66 percent from federal funds.

5) Equipment - The total biennial present law budget for equipment ($409,434) includes present law adjustments of $176,430 over the biennium. Biennial equipment purchases include: 80 personal computers, 21 printers, 2 cars, a server, and a copier. Equipment funding is allocated among TEAMS, SEARCHS, and program administration.

6) Other Adjustments - Decreases in transfers, loans, and other operating costs result in net reductions of $191,384 over the biennium. Repair and maintenance costs for computer equipment increase $21,366 over the biennium.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 SB345 Reorganization Savings	0.00	$0	$0	(25.00)	($412,500)	($825,000)
2 ISD Subscriptions	0.00	7,692	20,601	0.00	26,304	70,444
3 Welfare Reform	0.00	127,156	254,312	0.00	212,645	425,291
4 Computer Costs - TEAMS	0.00	90,604	181,208	0.00	64,035	128,070
5 ISD Subscription - TEAMS	0.00	3,388	6,777	0.00	6,710	13,420
6 SEARCHS ISD Subscriptions	0.00	0	8,424	0.00	0	14,822
7 Medicaid Fraud Increase/Justice	0.00	100,000	400,000	0.00	100,000	400,000
8 HB511 - Health Care Advisory	1.00	174,168	298,335	1.00	22,227	44,454
9 Personal Services Reductions	(4.00)	(59,640)	(159,708)	(4.00)	(59,853)	(160,278)
Totals	(3.00)	$443,368	$1,009,949	(28.00)	($40,432)	$111,223

New Proposals

1) SB 345 Reorganization Savings - The legislature reduced fiscal 1997 appropriations by $825,000 total funds ($412,500 general fund) and 25 FTE contingent on passage and approval of SB 345 (reorganization of human services agencies). The legislature added language allowing the executive to allocate FTE reductions among programs in the new department. These savings and FTE reductions are based on the fiscal note accompanying SB 345.

2), 5), and 6) ISD Subscriptions - The legislature approved three new proposals to fund statewide data network access for 185 personal computers added throughout the 1997 biennium. The proposals add $134,488 over the biennium ($44,094 general fund).

3) Welfare Reform - The legislature consolidated the executive request for computer costs related to welfare reform. The legislature appropriated $679,603 total funds ($339,801 general fund) over the biennium for additional mainframe computer processing and data network hook ups for TEAMS system usage. The proposal is funded 50 percent from general fund, and 50 percent from federal funds. The Executive Budget funded part of the state share of computer costs from property tax revenues from non-assumed counties (state special revenue). The legislature added $63,600 general fund over the biennium and reduced county funding by a like amount.

4) Computer Costs - TEAMS - The legislature approved the executive request to add $309,278 over the biennium for additional mainframe usage for the MACCS component of TEAMS, based on an annual increase of 46 users. The proposal is funded 50 percent from general fund and 50 percent from federal funds. The Executive Budget funded part of the state share of computer costs from property tax revenues from non-assumed counties (state special revenue). The legislature added $69,588 general fund over the biennium and reduced county funding by a like amount.

7) Medicaid Fraud Increase/Justice - Provisions of the Omnibus Budget Reconciliation Act (OBRA) of 1993 require states to establish a medicaid fraud control unit and set standards for those units. The legislature added $800,000 over the biennium ($200,000 general fund) to support a fraud control unit in the Department of Justice. Funding will be transferred from PHHS. The legislature approved the executive request to add language in the appropriations act giving the Department of Justice the latitude to establish FTE if employees are found to be more cost-effective than contracting for services.

8) House Bill 511 - Health Care Advisory - The legislature added 1.0 FTE and $342,789 total funds ($196,395 general fund) over the biennium to implement HB 511, which establishes the Health Care Advisory Council. The Montana Health Care Authority, created by the 1993 legislature, must transfer its documents and materials to the council. The 10-member council shall monitor and evaluate implementation of recent health care reform initiatives, including small group insurance reform, implementation of medicaid managed care, tort reform, changes to the antitrust statutes, voluntary purchasing pools, and the efficiency of the certificate of need process, and report its findings to the governor and legislature by October 1, 1996. The council is administratively attached to PHHS, which must provide staff support for the council.

9) Personal Services Reductions - The legislature approved executive reductions of 4.0 FTE and $319,986 in personal services costs over the biennium. The following FTE were eliminated: 1 grade 19, 1 grade 18, 1 grade 17, and 1 grade 13 FTE.

Language

"Item [Operations and Technology Division] includes efficiencies and savings of 25 FTE, $412,500 in general fund money, and $412,500 in federal special revenue in fiscal year 1997 based on passage and approval of Senate Bill No. 345, which reorganizes human services and public health agencies. The executive branch can allocate these reductions among programs in the department of public health and human services. If Senate Bill No. 345 is not passed and approved, the appropriation in item [Operations and Technology Division] is increased by 25 FTE, $412,500 in general fund money, and $412,500 in federal special revenue in fiscal year 1997."

"Funds for item [welfare fraud transfer] are to fund welfare fraud investigation. The Department of Justice may hire FTE rather than contract for services if the department certifies to the Office of Budget and Program Planning that FTE are more cost-effective than contracted services."

"The funds for item [HB 511 -- health care authority] are contingent on the passage and approval of House Bill No. 511." (HB 511 was passed and approved.)

"If the department considers contracting for operation of the TEAMS or SEARCHS computer applications on a privately owned and operated mainframe or midrange computer or if the department plans to purchase a midrange computer for the operation of these systems, the department shall submit to the Office of Budget and Program Planning and to the Legislative Finance Committee a comparison of the cost of operating the system on the state mainframe computer managed by the Department of Administration or on a midrange computer owned by the department. The Department of Administration shall estimate rate changes that would occur because of removal of TEAMS or SEARCHS from the state mainframe. If the Office of Budget and Program Planning determines that statewide cost savings are greater than the private contract cost savings or savings because of the purchase of a departmental midrange computer, the department shall operate TEAMS or SEARCHS on the state mainframe computer if continued operation of TEAMS or SEARCHS on the state mainframe does not conflict with federal regulations."

6901 10 00000 PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
VOCATIONAL REHABILITATION PGM								
FTE	71.50	0.00	0.00	71.50	0.00	0.00	71.50	71.50
Personal Services	2,161,637	87,253	0	2,248,890	98,534	0	2,260,171	4,509,061
Operating Expenses	385,749	23,253	114,979	523,981	20,938	114,979	521,666	1,045,647
Equipment	17,803	0	0	17,803	0	0	17,803	35,606
Benefits and Claims	7,256,876	292,240	1,159,410	8,708,526	475,356	1,193,873	8,926,105	17,634,631
Debt Service	1,010	(1,010)	0	0	(1,010)	0	0	0
Total Costs	$9,823,075	$401,736	$1,274,389	$11,499,200	$593,818	$1,308,852	$11,725,745	$23,224,945
Fund Sources								
General Fund	1,721,569	288,799	369,502	2,379,870	332,087	403,965	2,457,621	4,837,491
State/Other Special	330,361	(138,274)	0	192,087	(138,274)	0	192,087	384,174
Federal Special	7,771,145	251,211	904,887	8,927,243	400,005	904,887	9,076,037	18,003,280
Total Funds	$9,823,075	$401,736	$1,274,389	$11,499,200	$593,818	$1,308,852	$11,725,745	$23,224,945

Program Description

The Vocational Rehabilitation Program is responsible for providing services to persons with physical or mental disabilities of employable age to restore them to gainful employment. Clients served by the program receive counseling and are assisted in developing an individual service plan, which may include counseling, training, job placement, or medical assistance. Clients who are not able to enter competitive employment are provided sheltered employment opportunities, supported employment, and independent living services. The program statutory authority is in Title 53, Chapter 7, MCA.

Funding

The Vocational Rehabilitation Program is funded with a mix of state funds and federal funds. The majority of program administrative and benefit costs are funded from federal Section 110 funds, which require a 21.3 percent state match. Some benefits and limited administrative costs are funded entirely from federal sources and one benefit, extended employment, is supported by general fund. In fiscal 1994, workers' compensation state special revenue funds contributed a small portion of the Section 110 state match and general fund provided the balance. The legislature continued to fund a portion of the Section 110 state match with workers' compensation funds ($192,087) per year.

Vocational Rehabilitation Program Budget

The fiscal 1996 budget is 17 percent higher than the base budget and the fiscal 1997 budget is 19 percent higher. Most of the increase is due to new proposals, which add $2.6 million over the biennium, while present law adjustments increase biennial budgets by $1 million. Benefit costs comprise 74 percent of total base costs and 76 percent in the 1997 biennium.

The most significant present law adjustment approved by the legislature, a 1997 biennium provider rate increase of $1 million over the biennium, is partially offset by biennial benefit reductions of $752,000 due to discontinuation of federal grant funds. The most significant new proposal adds $2.3 million over the biennium to capture the maximum federal Section 110 grant available to the state.

General fund support for the program increases 38 percent ($658,301) above the base budget in fiscal 1996 and 43 percent ($736,052) in fiscal 1997. The general fund growth is primarily attributable to: 1) a new proposal to provide the 21.7 percent state match for the maximum Section 110 grant amount available, which adds $489,812 over the

biennium; 2) 1997 biennium provider rate increases, which add $205,735; and 3) an increase in extended employment benefits of $283,655.

Overview of Benefits

Benefit appropriations account for 76 percent of the total biennial program budget and account for the majority of programmatic increases. Since benefit and grant appropriations change due to present law adjustments and new proposals, total appropriations for each benefit are discussed in this overview.

Table 9 compares the base budget to 1997 biennium benefits appropriations for this program. Fiscal 1996 benefits appropriations increase $1.5 million over the base budget and fiscal 1997 appropriations increase $1.7 million. The most significant changes are due to: 1) appropriating the maximum federal Section 110 allotment, which adds $2.3 million over the biennium; and 2) the 1997 biennium provider rate increase, which adds $0.96 million over the biennium. The 1997 biennium provider rate increase and annualization of the 1995 biennium rate increase are allocated among benefits in Table 9.

Table 9
Base Budget Compared to 1997 Biennium Vocational Rehabilitation Benefit Appropriations

	---Base Budget---		---Fiscal 1996---				---Fiscal 1997---			
Benefit	Gen. Fund	Total	Gen. Fund	SSR	Fed. Funds	Total	Gen. Fund	SSR	Fed. Funds	Total
Section 110 Benefits	$857,097	$4,754,995	$1,233,813	$99,482	$4,926,308	$6,259,603	$1,267,673	$99,482	$5,051,420	$6,418,575
MonTech Benefits	0	571,035	0	0	674,795	674,795	0	0	674,795	674,795
Extended Employment	482,834	482,834	626,925	0	0	626,925	668,923	0	0	668,923
JTPA Benefits	0	398,558	0	0	443,450	443,450	0	0	460,059	460,059
Supported Employment	0	309,156	0	0	316,885	316,885	0	0	316,885	316,885
Independent Living	22,349	261,166	27,887	0	250,986	278,873	27,887	0	250,986	278,873
Migrant Worker	0	105,581	0	0	107,995	107,995	0	0	107,995	107,995
MSED	0	373,551	0	0	0	0	0	0	0	0
Total Benefits	$1,362,280	$7,256,876	$1,888,625	$99,482	$6,720,419	$8,708,526	$1,964,483	$99,482	$6,862,140	$8,926,105

Section 110 benefits account for 73 percent of total benefit expenditures, providing the majority of funding for rehabilitation benefits, including: evaluation to determine an individual's disability; counseling and guidance; training and educational support; artificial aids such as hearing aides and limbs that help an individual become and remain employed; and job placement and follow-up.

Federal Montana technology-related (MonTech) assistance benefits purchase assistive technology devices and services for people with disabilities and are fully federally funded. Extended employment general fund benefits provide ongoing job support for severely disabled people and increase due to a new proposal that adds services for an additional 34 clients in fiscal 1996 and 47 in fiscal 1997.

The Federal Job Training Partnership Act (JTPA) funds classroom training for people over 22 years of age. Federal supported employment benefits are time limited (18 months) support services to people with severe disabilities. Independent living benefits help support disabled people in independent living situations and are funded 10 percent from the general fund and 90 percent from federal funds. Federal migrant worker benefits provide support to disabled migrant workers. The federal grant for the Montana Supported Employment Demonstration Project ends in fiscal 1995.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$87,253	$98,534
2 Inflation/Deflation	(3,775)	(10,963)
3 Fixed Costs	(13,786)	(13,421)
Other Present Law Adjustments		
4 Consulting Services	21,561	21,561
5 Rent	21,679	26,187
6 Other Operating Cost Reductions	(2,426)	(2,426)
7 Benefits		
a 1997 Biennium Provider Rate Incr.	387,756	567,588
b Section 110 Benefits	118,875	118,875
c Other Benefit Changes	159,160	162,444
d MSED	(373,551)	(373,551)
8 Loans	(1,010)	(1,010)
Total Present Law Adjustments	$401,736	$593,818

Present Law Adjustments

1) Personal Services - The legislature approved $185,787 over the biennium for annualization of the pay plan, vacancy savings incurred in fiscal 1994, turnover, and position reclassifications.

2) Inflation/Deflation and 3) Fixed Costs - Present law deflationary adjustments reduce costs by $14,738 over the biennium, largely due to state mainframe computer rate and communications costs reductions. Fixed costs decline $27,207 over the biennium due to reallocation of rent expenses from fixed costs to other operating cost categories.

4) Consulting Services - Contracts for consulting services increase $21,561 each year. There are four types of contracts funded in this adjustment. The largest adjustment is $12,497 for medical consultants, with a total budget of $15,000. (The average cost of medical services contracts over the three previous years was $8,500.) Advisory council honorariums are budgeted at $2,200 annually. The balance of the increase funds interpreters for public meetings. Contracts are funded 21.7 percent from the general fund and the rest from federal funds.

5) Rent - Rent costs increase $47,866 over the biennium for the central state office and field offices. Part of the increase is offset by reductions rent included in fixed costs.

6) Other Operating Cost Reductions - Reductions in travel, communications, and supplies costs result in net present law reductions of $4,852 over the biennium.

7) Benefits - Present law adjustments for benefit costs add $767,596 over the biennium. The largest present law adjustment is $955,344 over the biennium ($205,735 general fund) for 1997 biennium provider rate increases. Most rates are inflated 1.5 percent annually, except tuition, which rises 16.5 percent from fiscal 1994 to 1995 and at an annual rate of 6.5 thereafter. The tuition increase will allow the program to continue of pay tuition for 2,750 vocational rehabilitation and visual services clients.

Changes in Section 110 benefits and other benefits are due to annualization of the rate increase approved by the 1993 legislature, except for JTPA (Job Training Partnership Act) benefits, which also include about $15,000 additional federal grant authority over the biennium. The present law adjustment for Section 110 funds includes an increase in general fund and a reduction of state special revenue (workers' compensation funds), annualizing the fiscal 1995 general fund offset authorized by the 1993 legislature. Discontinuation of the MSED (Montana Supported Employment Demonstration) federal grant reduces benefits $373,551 each year of the biennium.

8) Loans - Loan payments are not continued, resulting in a $2,020 reduction over the biennium.

New Proposals

1) Increase Section 110 - The legislature approved the executive request for $1.1 million total funds ($244,906 general fund) each year of the biennium to capture the maximum amount of federal Section 110 funding available to the state.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Increase Section 110	0.00	$244,906	$1,149,793	0.00	$244,906	$1,149,793
2 Extended Employment Increase	0.00	124,596	124,596	0.00	159,059	159,059
Totals	0.00	$369,502	$1,274,389	0.00	$403,965	$1,308,852

Section 110 requires a 21.7 percent state match. This proposal includes Section 110 increases for both the Vocational Rehabilitation and Visual Services programs. The legislature appropriated 10 percent of the total increase to administration and the balance to benefits.

2) Extended Employment Increase - The legislature appropriated $283,655 general fund over the biennium to increase extended employment benefits to 34 more clients in fiscal 1996 and 47 more clients in fiscal 1997, at an average annual cost of $5,301 per client. Supported employment benefits provide long-term training support to persons with severe disabilities who work in sheltered or supported employment. The legislature appropriated $103,389 more over the biennium than requested in the Executive Budget.

6901 11 00000

PUBLIC HEALTH & HUMAN SERVICES — **DISABILITY DETERMINATION PGM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	40.00	0.00	0.00	40.00	0.00	0.00	40.00	40.00
Personal Services	1,218,258	63,203	(63,520)	1,217,941	70,100	(63,865)	1,224,493	2,442,434
Operating Expenses	1,612,587	299,334	0	1,911,921	387,902	0	2,000,489	3,912,410
Equipment	37,578	(14,311)	0	23,267	(17,476)	0	20,102	43,369
Benefits and Claims	67,344	6,714	0	74,058	6,714	0	74,058	148,116
Debt Service	2,019	(2,019)	0	0	(2,019)	0	0	0
Total Costs	$2,937,786	$352,921	($63,520)	$3,227,187	$445,221	($63,865)	$3,319,142	$6,546,329
Fund Sources								
Federal Special	2,937,786	352,921	(63,520)	3,227,187	445,221	(63,865)	3,319,142	6,546,329
Total Funds	$2,937,786	$352,921	($63,520)	$3,227,187	$445,221	($63,865)	$3,319,142	$6,546,329

Program Description

The Disability Determination Program is responsible for determining disability of Montana residents who apply for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disability benefits. The SSDI program provides cash benefits to disabled workers (and qualified dependents) who have contributed to the Social Security Trust Fund through taxes on their earnings. The SSI program provides a minimum income level for financially needy persons who are aged, blind or disabled.

Funding

The Disability Determination Program is supported entirely by federal funds.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$63,203	$70,100
2 Inflation/Deflation	103,687	164,404
3 Fixed Costs	39	39
Other Present Law Adjustments		
4 Contracted Services	182,458	206,672
5 Supplies	3,600	3,600
6 Rent	9,550	13,187
7 Equipment	(14,311)	(17,476)
8 Benefits - Client Travel	6,714	6,714
9 Leases	(2,019)	(2,019)
Total Present Law Adjustments	$352,921	$445,221

Present Law Adjustments

1) Personal Services - The legislature added $133,303 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover.

2) Inflation/Deflation - Present law adjustments for inflation in medical services costs add $268,091 over the biennium.

4) Contracted Services - Contracts for medical examinations, medical consultants, and copies of medical records increase $389,130 over the biennium due to caseload growth. Some of the services, such as medical examinations, are required by federal regulations.

6) Rent - The program is relocating from the central SRS office to other office space, so the legislature appropriated additional funds for rent increases.

7) Equipment - The legislature approved $43,369 over the biennium to purchase the following replacement equipment: a copier, 3 personal computers, software upgrades, work stations, a laser printer, conference tables, stacking chairs, and bookcases. However, since equipment purchases in the base budget were higher than the annual equipment requested, the present law adjustment is a reduction from the base.

8) Benefits - Client Travel - Client travel, funded in benefits, increases $6,714 each year of the biennium due to caseload growth.

9) Leases - Lease payments are not included in the present law budget, resulting in a $4,038 reduction over the biennium.

6901 11 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions			($63,520)			($63,865)
Totals			($63,520)			($63,865)

New Proposal

1) Personal Services Reductions - The legislature approved the executive recommendation of $127,385 of vacancy savings over the biennium, or about 5 percent. The reduction is equivalent to leaving 1.6 FTE vacant annually, based on an average salary per FTE.

6901 13 00000 PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
VISUAL SERVICES PRGM								
FTE	18.25	0.00	0.00	18.25	0.00	0.00	18.25	18.25
Personal Services	531,131	35,764	0	566,895	38,523	0	569,654	1,136,549
Operating Expenses	102,346	2,056	(28,345)	76,057	1,975	(28,578)	75,743	151,800
Equipment	2,283	6,395	0	8,678	6,395	0	8,678	17,356
Benefits and Claims	795,323	55,397	0	850,720	73,115	0	868,438	1,719,158
Total Costs	$1,431,083	$99,612	($28,345)	$1,502,350	$120,008	($28,578)	$1,522,513	$3,024,863
Fund Sources								
General Fund	315,615	23,338	(6,037)	332,916	28,522	(6,087)	338,050	670,966
Federal Special	1,115,468	76,274	(22,308)	1,169,434	91,486	(22,491)	1,184,463	2,353,897
Total Funds	$1,431,083	$99,612	($28,345)	$1,502,350	$120,008	($28,578)	$1,522,513	$3,024,863

Program Description

The Visual Services Program is responsible for providing rehabilitative services to persons who are blind and visually-impaired. Clients served by the program receive counseling and are assisted in developing an individual service plan, which may include counseling and guidance, job placement, adaptive living techniques, training, and medical assistance. Clients who are not able to enter competitive employment are provided sheltered employment opportunities, independent living, and visual medical services. Statutory authority for the program is in Title 53, Chapter 7, MCA.

Funding

The Visual Services Program is funded with general fund and federal funds. Program administration and Section 110 benefits are funded 21.3 percent from the general fund and 78.7 percent from federal Section 110 funds. Visual medical benefits are supported solely by the general fund, while independent living and JTPA benefits are funded from federal funds.

Visual Services Program Overview

The 1997 biennium budgets increase only slightly over the fiscal 1994 base budget, largely due to personal services adjustments and annualization of the 1995 biennium provider rate increase authorized by the 1993 legislature. Present law adjustments are partially offset by a new proposal that reduces operating costs.

Overview of Benefits

Benefit appropriations account for 57 percent of the total biennial program budget and the majority of programmatic increases. The following table shows base budget benefit expenditures compared to the 1997 biennium benefit appropriations. Provider rate increases in the 1995 and 1997 biennia account for the entire change in benefits between the fiscal 1994 base and fiscal 1996 and 1997 budgets.

Present Law Adjustments

1) Personal Services Adjustments - The legislature added $74,287 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover. Nearly all adjustments in this program are funded 21.3 percent from the general fund and the balance from federal funds, except that some benefit

Table 10
Base Budget Compared to 1997 Biennium Visual Services Benefits

Benefit	Base Budget	---Fiscal 1996--- Gen. Fund	Fed. Funds	Total	---Fiscal 1997--- Gen. Fund	Fed. Funds	Total
Section 110 Benefits	$471,382	$110,325	$407,631	$517,956	$113,682	$420,032	$533,714
Independent Living	220,368	0	225,877	225,877	0	225,877	225,877
Visual Medical	82,555	83,793	0	83,793	85,050	0	85,050
JTPA Benefits	21,018	0	23,094	23,094	0	23,797	23,797
Total Benefits	$795,323	$194,118	$656,602	$850,720	$198,732	$669,706	$868,438

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$35,764	$38,523
2 Inflation/Deflation	(742)	(2,167)
3 Fixed Costs	0	0
Other Present Law Adjustments		
4 Contracted Services	927	927
5 Rent	1,871	3,215
6 Equipment	6,395	6,395
7 Benefits		
a 1997 Biennium Provider Rate Incr.	37,578	55,296
b Annualization 1995 Biennium Incr.	17,819	17,819
Total Present Law Adjustments	$99,612	$120,008

costs are funded: 1) 100 percent from the general fund (about $85,000 annually; and 2) 100 percent from federal funds.

4) Contracted Services - The legislature increased contracts for medical assessments of persons applying for services, which are required by federal law.

5) Rent - Rent for district office space increases 4 percent per year.

6) Equipment - The legislature appropriated $17,356 over the biennium ($12,790 is a present law adjustment) to purchase the following replacement equipment: personal computers, software upgrades, printers, closed circuit televisions that enhance reading capability of the visually impaired, and pocket talkers to allow rehabilitation specialists to coach newly blind people from a distance.

7) Benefits - Benefit costs increase $128,512 over the biennium due to the executive 1997 biennium provider rate increase ($92,874) and annualization of the rate increase approved by the 1993 legislature. The 1997 biennium rate increase supports a 1.5 percent increase for most services, except tuition payments. Tuition rises 16.5 percent from fiscal 1994 to fiscal 1995 and at an annual rate of 6.5 percent through fiscal 1997.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		($6,037)	($28,345)		($6,087)	($28,578)
Totals		($6,037)	($28,345)		($6,087)	($28,578)

New Proposal

1) Personal Services Reductions - The legislature accepted the executive request of $56,923 of vacancy savings over the biennium, about 5 percent, and equivalent to the cost of 0.9 FTE, based on an average program salary per FTE. The legislature allocated the reduction to operating costs rather than personal services.

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PUBLIC HEALTH & HUMAN SERVICES **DEVELOPMENTAL DISAB PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	43.25	33.50	0.00	76.75	33.50	0.00	76.75	76.75
Personal Services	2,394,143	208,030	0	2,602,173	222,665	0	2,616,808	5,218,981
Operating Expenses	430,789	56,913	(83,918)	403,784	45,751	(113,001)	363,539	767,323
Equipment	6,580	6,322	0	12,902	6,322	0	12,902	25,804
Grants	28,727	(1,791)	0	26,936	(1,791)	0	26,936	53,872
Benefits and Claims	35,922,762	5,635,097	3,621,800	45,179,659	7,434,566	3,725,875	47,083,203	92,262,862
Transfers	1,000	(1,000)	0	0	(1,000)	0	0	0
Debt Service	38,357	(38,357)	0	0	(38,357)	0	0	0
Total Costs	$38,822,358	$5,865,214	$3,537,882	$48,225,454	$7,668,156	$3,612,874	$50,103,388	$98,328,842
Fund Sources								
General Fund	16,408,524	2,831,318	94,991	19,334,833	3,845,593	245,384	20,499,501	39,834,334
Federal Special	22,413,834	3,033,896	3,442,891	28,890,621	3,822,563	3,367,490	29,603,887	58,494,508
Total Funds	$38,822,358	$5,865,214	$3,537,882	$48,225,454	$7,668,156	$3,612,874	$50,103,388	$98,328,842

Program Description

The Developmental Disabilities Program (DD) is responsible for providing services to persons who are developmentally disabled. Residential, vocational, child and family care, and other support services are provided through contracts with local non-profit corporations. Designated program staff provide targeted case management (TCM) services. Among those eligible to receive services are persons with mental retardation, cerebral palsy, epilepsy, autism, or those with neurologically handicapping conditions similar to mental retardation that occur prior to age 18. Statutory authority for the program is provided in Title 53, Chapter 20, MCA.

Funding

The DD Program is supported by general fund and federal funds, with the funding mix depending on client eligibility for medicaid (Title XIX). If clients are medicaid eligible, associated operating costs are funded 50 percent from the general fund and 50 percent from federal funds, while benefits are funded at the medicaid match rate: 30.26 percent general fund in fiscal 1996 and 31 percent general fund in fiscal 1997, with the balance from federal funds. Otherwise, services are funded entirely from general fund, the social services block grant (Title XX), or federal categorical grant funds, as such grants are authorized.

Targeted case management (TCM) administrative and benefits costs for medicaid-eligible clients are funded at the medicaid match rate, and the costs for nonmedicaid clients are funded 100 percent from the general fund. The legislature funded 1997 biennium TCM administrative costs at 43 percent general fund and the balance from federal funds, based on the most recent estimate of client eligibility.

Developmental Disabilities Program Budget Overview

The fiscal 1996 DD budget increases 24.2 percent above the base budget and 29.1 percent in fiscal 1997. Benefits comprise 93 percent of base budget cost, compared to 94 percent during the 1997 biennium. FTE increase 33.5 due to transfer of targeted case management for the developmentally disabled from the former DFS.

Present law adjustments account for $13.5 million ($6.7 million general fund), while new proposals add $7.2 million ($0.3 million general fund) over the biennium. Nearly all the present law increase is related to benefit adjustments while new proposal increases are entirely in benefits.

Overview of Benefits

Benefits increase $20.4 million ($7.1 million general fund) over the biennium from the base budget. Since benefit appropriations change due to present law adjustments and new proposals, total appropriations for each benefit are discussed in this overview. Table 11 shows the base budget and 1997 biennium appropriations for program benefits. New proposals and the 1997 biennium provider rate increase are allocated among the benefit costs included in the table.

Table 11
Fiscal 1994 Base Budget Compared to
1997 Biennium Appropriations for Developmental Disability Benefits

	---Base Budget---		---Fiscal 1996---			---Fiscal 1997---		
Benefit	Gen. Fund	Total	Gen. Fund	Fed. Funds	Total	Gen. Fund	Fed. Funds	Total
Title XIX	$4,452,232	$15,356,647	$5,761,590	$16,594,595	$22,356,185	$6,308,309	$17,340,544	$23,648,853
Title XX	9,789,175	18,256,466	10,957,031	8,240,291	19,197,322	11,495,768	8,240,291	19,736,059
TCM	0	0	453,381	655,004	1,108,385	485,523	692,832	1,178,355
Part H	1,024,889	2,143,049	1,055,635	1,137,632	2,193,267	1,087,304	1,137,632	2,224,936
Other Bens.	0	166,600	0	324,500	324,500	0	295,000	295,000
Total	$15,266,296	$35,922,762	$18,227,637	$26,952,022	$45,179,659	$19,376,904	$27,706,299	$47,083,203
Change from Base Budget			$2,961,341	$6,295,556	$9,256,897	$4,110,608	$7,049,833	$11,160,441
Percent Increase from Base			19.40%	30.48%	25.77%	26.93%	34.13%	31.07%
Annual Rate of Change FY 94 to FY97						8.27%	10.28%	9.44%

Title XIX (medicaid) benefits comprise the largest share of benefits in the DD program. Title XIX services include intensive adult residential and day services, children's residential services, and family support services. Two new proposals to expand Title XIX authority include only the federal share ($6.3 million over the biennium). If the DD program is able to secure medicaid funding for expenditures currently supported solely by the general fund, the general fund medicaid match will be transferred from Title XX benefits.

Title XX benefits include general fund and federal social services block grant funds that support the same types of services as Title XIX, including transportation services. Federal block grant funds are capped and do not increase as the cost of services rise.

Fiscal 1994 expenditures for TCM benefits ($1,076,101) were recorded in the former DFS base budget, so there are no expenditures listed for the DD program in fiscal 1994.

Part H benefits provide support services to families with children ages 0 to 3 with developmental disabilities. Funding is a mix of general fund and a fixed federal grant. The DD program must provide services to all eligible children.

Other benefits include federal grant funds. A new proposal continues the family child care choice project started by budget amendment in fiscal 1994.

Present Law Adjustments

1) Personal Services - The legislature approved $430,695 over the biennium for increases due to annualization of the pay plan, vacancy savings incurred in fiscal 1994, and turnover. Transfer of targeted case management (TCM) from the former DFS adds 33.5 FTE each year of the biennium.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$208,030	$222,665
2 Inflation/Deflation	(4,174)	(14,378)
3 Fixed Costs	(14,067)	(13,505)
Other Present Law Adjustments		
4 TCM Operating Costs	66,649	68,467
5 Office Equipment Maintenance/Rent	5,312	5,312
6 Consulting Contracts	3,999	(1,501)
7 TRIC Privitization, Rent, Training	(806)	1,356
8 Equipment	6,322	6,322
9 Grants	(1,791)	(1,791)
10 Benefits		
a Title XIX Benefits	3,091,682	3,781,654
b TCM Benefits	1,076,101	1,112,821
c 1997 Biennium Provider Rate Incr.	1,182,766	2,401,448
d Title XX Benefits	263,076	117,171
e Part H Benefits	19,472	19,472
f Other Benefit Adjustments	2,000	2,000
11 Transfers and Installment Purchases	(39,357)	(39,357)
12 General Fund Decrease	(159,238)	(167,957)
Federal Fund Increase	159,238	167,957
Total Present Law Adjustments	$5,865,214	$7,668,156

4) TCM Operating Costs - The legislature added $135,116 ($58,946 general fund) over the biennium for TCM operating costs.

5) Office Equipment Maintenance and Rental - The legislature approved $10,624 over the biennium for increased office maintenance costs and equipment rental.

6) Consulting Contracts - The legislature authorized net increases of $2,498 for consulting contracts over the biennium. The contracts support technical assistance in securing federal funding for group home costs (see item 1 in the "New Proposals" section) and interpreters at public meetings to provide assistance for the hard of hearing.

7) TRIC Privatization, Rent, Training - Operating costs increased a net of $550 over the biennium due to net changes in rent, training, and the privatization of the training resources information center (TRIC) library. TRIC costs are reflected in the benefits portion of the program budget.

8) Equipment - The legislature appropriated $25,804 over the biennium ($12,644 is a present law adjustment) to purchase 15 personal computers, software upgrades, and other office equipment.

11) Grants - The present law budget reallocated $1,791 each fiscal year of general fund TCM expenditures recorded in the grants category to TCM benefits.

12) Benefits - Benefit costs increased $13.1 million total funds ($6.1 million general fund) over the biennium.

Present law adjustments for downsizing the Montana Development Center (MDC) added $1.6 million total funds ($0.6 million general fund) over the biennium and are distributed among Title XIX, TCM, and Title XX benefits. The MDC budget in the Special Services Program was reduced by 17.3 FTE and $0.7 million general fund in fiscal 1997 due to the downsizing.

The MDC redesign is the fourth phase of a plan approved by the 1991 legislature. The 1997 biennium present law adjustment funds construction and operating costs of 2 group homes and operating costs for an additional group home constructed in fiscal 1995. Together the 3 group homes will house 18 persons who either were or would have been placed in MDC. Ongoing operating costs for these homes are estimated to be $6.1 million total funds including $2.0 million general fund in the 1999 biennium.

Title XIX Benefits - The legislature approved the executive request for $6.9 million over the biennium for medicaid benefit increases for DD persons. About one third of the cost is general fund. Base budget expenditures for Title XIX benefits were $15.4 million.

Annual increases in Title XIX benefits are: 1) $1.3 million to continue services that will be phased-in during fiscal 1995 (nearly all of the general fund match is transferred from Title XX benefits); 2) $0.6 million for the transfer of

waiver costs from the Medicaid Services Division; 3) $0.4 million to annualize the 1995 biennium provider rate increase authorized by the 1993 legislature; and 4) $0.4 million for services to children who are diagnosed as being developmentally disabled and emotionally disturbed (dually diagnosed). Community services for 18 MDC residents add $1.4 million ($0.6 million general fund over the biennium). Finally, a change in the medicaid match rate causes a funding shift between general fund and federal funds, although there is no overall cost increase. The general fund medicaid match for base budget expenditures increased by $0.5 million over the biennium.

TCM Benefits - TCM benefit expenditures were transferred from the former DFS. TCM benefits increase in fiscal 1997 to provide services to MDC residents placed in community services. The increase is funded at the medicaid match rate, since the clients will be medicaid eligible.

1997 Biennium Provider Rate Increase - The legislature added $3.6 million over the biennium ($2.3 million general fund) for a 3 percent provider rate increase. The executive had requested a 1.5 percent rate increase. The legislature also added language to HB 2 requiring that funding above a 1.5 percent rate increase be used for pay raises for the lowest-wage, direct-care line workers.

Title XX Benefits - Title XX includes federal block grant funds and general fund. Present law adjustments are supported fully from the general fund, since the federal grant is capped. General fund increases are due to annualization of program changes authorized by the 1993 legislature and are partially offset by a transfer of $0.8 million general fund over the biennium to fund Title XIX expansions in fiscal 1995. Base budget expenditures were $18.3 million in fiscal 1994.

Title XX benefits also include a funding switch that increases general fund $227,000 each year and reduces federal funds by a like amount, to annualize an adjustment made by the 1993 legislature. The state had historically transferred the maximum allowable LIEAP funding to DD benefits, but federal regulations discontinued such transfers effective state fiscal year 1994. The 1993 legislature appropriated general fund in place of LIEAP funds, but one quarter of the federal funds remained in the fiscal 1994 base budget.

Annualization of the 1995 biennium provider rate increase adds $457,853 each year of the biennium. Start-up costs for community services for MDC residents and other support services costs must be paid from the general fund and add $208,000 over the biennium. The cost of the TRIC library is funded in this benefit and adds $38,249 general fund each year of the biennium.

Part H Benefits - Part H benefits increase $19,472 federal funds each year of the biennium. Base budget expenditures were $2.1 million. Part H benefits are funded from the general fund and federal funds.

Other Benefit Adjustments - There is a net increase in federal funds of $4,000 over the biennium due to changes in other benefit amounts and expenditures.

11) Transfers and Installment Purchases - Base budget expenditures for transfers and installment purchases were not continued in the 1997 biennium, resulting in a biennial reduction of $76,714. The program debt financed equipment purchases in fiscal 1994.

12) General Fund Reduction - The legislature accepted the executive proposal to reduce general fund by $159,238 in fiscal 1996 and by $167,957 in fiscal 1997 and increase federal funds by a like amount. The funding switch was possible because a share of administrative overhead costs can be allocated to the federal share of TCM funding.

New Proposals

1) Personal Care in Group Homes - The legislature approved the executive request for $4.6 million in federal funds in the event that PHHS is able to refinance general fund group home costs through medicaid funding for personal care

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Care In Group Homes	0.00	$0	$2,315,900	0.00	$0	$2,299,475
2 Increased Federal Authority	0.00	0	1,000,000	0.00	0	1,000,000
3 Additional Work/Day Services	0.00	50,000	50,000	0.00	100,000	100,000
4 Additional Supported Living	0.00	100,000	100,000	0.00	200,000	200,000
5 Personal Services Reductions	0.00	(55,009)	(128,018)	0.00	(54,616)	(126,601)
6 Family Child Care Choice	0.00	0	200,000	0.00	0	140,000
Totals	0.00	$94,991	$3,537,882	0.00	$245,384	$3,612,874

benefits. Other states have reduced general fund costs with medicaid funds. Currently, group home costs are funded through general fund or federal Title XX block grant funds. If PHHS is successful, federal funds would offset 70 percent of group home costs currently paid from the general fund.

2) Increased Federal Authority - The legislature approved the executive request for $2 million federal authority over the biennium. The legislature has approved this appropriation for the two previous biennia, giving the DD Program an opportunity to expand federally funded services as long as there is no future increased cost to the general fund.

3) Additional Work and Day Services - The legislature approved the executive request for $150,000 general fund over the biennium to provide additional work and day services to 10 persons in fiscal 1996 and an additional 10 persons in fiscal 1997, at an average annual cost of $5,000 per person. Annualization of the fiscal 1997 cost of this new proposal will add $100,000 general fund expenditures in the 1999 biennium

4) Additional Supported Living - The legislature approved the executive request for $300,000 general fund over the biennium for supported living opportunities for 10 persons in fiscal 1996 and an additional 10 in fiscal 1997, at an average annual cost of $10,000 per person. Annualization of the fiscal 1997 cost of this new proposal will increase general fund expenditures by $200,000 in the 1999 biennium.

5) Personal Services Reductions - The legislature approved $254,619 of vacancy savings over the biennium, or about 5 percent, which is equivalent to the cost of 3.8 FTE, based on an average program salary per FTE. The reductions are funded $109,625 from the general fund and $144,994 from federal funds. The legislature allocated reductions to operating costs instead of personal services.

6) Family Child Care Choice - The legislature appropriated federal funding to continue the family child care choice benefits added by budget amendment in fiscal 1994. Respite care and other family support services are funded by $282,300 of the biennial grant amount and the balance of $57,700 is allocated to administrative costs.

Language

"Provider rate increases funded in item [developmental disabilities provider rate increases] must be allocated between general operating inflationary increases and wage increases for the lowest wage, direct-care line workers of developmental disabilities providers. No less than $375,429 of general fund money and $215,954 of federal special revenue in fiscal year 1996 and $758,100 of general fund money and $433,751 of federal special revenue in fiscal year 1997 must be granted with no specific expense allocation, and the remainder of the rate increase must be allocated to salaries for the lowest-wage, direct-care line workers."

"The department may pursue funding of any existing eligible state general- funded services under the federal ICF/MR program if the federal government fails to approve adequate medicaid waiver funding under the home- and community-based waiver program."

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PUBLIC HEALTH & HUMAN SERVICES — **DEVELOPMENTAL DISABILITIES ADVISORY COUNCIL**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	74,749	32	0	74,781	32	0	74,781	149,562
Operating Expenses	49,408	22,977	0	72,385	22,884	0	72,292	144,677
Benefits and Claims	221,243	52,066	0	273,309	52,066	0	273,309	546,618
Transfers	9,659	(9,659)	0	0	(9,659)	0	0	0
Total Costs	$355,059	$65,416	$0	$420,475	$65,323	$0	$420,382	$840,857
Fund Sources								
Federal Special	355,059	65,416	0	420,475	65,323	0	420,382	840,857
Total Funds	$355,059	$65,416	$0	$420,475	$65,323	$0	$420,382	$840,857

Program Description

The Montana State Developmental Disabilities Planning and Advisory Council (DDPAC), a 100 percent federally funded program, provides advice to the Governor's Office, PHHS, other state agencies, local governments, and private organizations on programs and services for persons with developmental disabilities. Through its grant and contract program, the council provides start-up funds for projects designed to assist persons with disabilities. The council is provided for in sections 53-20-206 and 2-15-2204, MCA.

Funding

DDPAC is funded from a fixed federal grant. Federal requirements specify that no more than 35 percent of grant funds can be spent for administration. In accordance with federal regulations, the legislature appropriated 35 percent of total funding to administration.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$32	$32
2 Inflation/Deflation	399	514
3 Fixed Costs	14	14
Other Present Law Adjustments		
4 Contracted Services	21,923	21,375
5 Rent	641	981
6 Benefits	52,066	52,066
7 Accounting Entity Transfers	(9,659)	(9,659)
Total Present Law Adjustments	$65,416	$65,323

Present Law Adjustments

2) Inflation/Deflation - Present law adjustments for inflation in travel costs for council members added $913 over the biennium.

4) Contracted Services - The legislature appropriated $43,298 over the biennium for council stipend payments and other functions.

6) Benefits - The present law benefits budget increased $104,132 over the biennium to allocate the full amount of the federal grant award.

7) Accounting Entity Transfers - The present law base does not include authority to continue transfers, resulting in a reductions of $19,318 over the biennium.

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PUBLIC HEALTH & HUMAN SERVICES **MANAGEMENT SUP. SERV. DIV.**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	33.00	(1.50)	(0.50)	31.00	(3.00)	1.00	31.00	31.00
Personal Services	787,413	299,859	(10,580)	1,076,692	248,745	44,909	1,081,067	2,157,759
Operating Expenses	722,404	2,473,371	475,855	3,671,630	(121,260)	2,050,895	2,652,039	6,323,669
Equipment	1,175	0	0	1,175	0	0	1,175	2,350
Total Costs	$1,510,992	$2,773,230	$465,275	$4,749,497	$127,485	$2,095,804	$3,734,281	$8,483,778
Fund Sources								
General Fund	1,392,156	830,823	237,543	2,460,522	67,538	1,187,868	2,647,562	5,108,084
State/Other Special	1,350	13,650	0	15,000	13,650	0	15,000	30,000
Federal Special	117,486	1,928,757	227,732	2,273,975	46,297	907,936	1,071,719	3,345,694
Total Funds	$1,510,992	$2,773,230	$465,275	$4,749,497	$127,485	$2,095,804	$3,734,281	$8,483,778

Program Description

The Management Support Services Division provided the overall management and policy development for the Department of Family Services, as well as administrative, data processing, legal, personnel, and accounting and fiscal services. The program was transferred to the new PHHS. The program administers the Child and Adult Protective Services (CAPS) management information system. Functions and duties of this program will likely be recombined with other management and administrative programs and functions transferred to the new PHHS from the Departments of Social and Rehabilitation Services, Health and Environmental Sciences, and Corrections and Human Services. The program is presented separately in order to provide an easy reference between the Executive Budget proposal, legislative action, and the Executive Budget that will be presented to the 55th Legislature.

Funding

The Management Support Services Division is supported by general fund, state special revenue, and federal funds. State special revenues are pass through fees charged for studies for private adoptions. The studies are done by local providers; PHHS collects the fees and pays for the study. Federal funding is from indirect cost recovery, based on the department cost allocation plan. General fund supports the balance of administrative costs.

Present Law Adjustments

1) Personal Services - The fiscal 1996 present law budget is 1.5 FTE lower than the fiscal 1994 base budget and the fiscal 1997 present law budget is 3.0 FTE lower. These reductions are due to the net of: a) transferring 1.0 FTE to the DD program for case management services for the developmentally disabled; b) removing 2.0 FTE funded through a one-time appropriation approved by the 1993 legislature to develop the Child and Adult Protective Services (CAPS) computer system; and c) adding 1.5 FTE in fiscal 1996 only, to complete development of CAPS.

3) Fixed Costs - Changes in fixed costs and state centralized services are primarily due to higher network fees and biennial audit costs in fiscal 1996. Data network fees for fiscal 1997 are budgeted in the new proposal for the CAPS computer system operating costs.

4) CAPS Development Costs - Continued development of the CAPS system adds $2.3 million ($0.6 million general fund) in fiscal 1996. The legislature added language directing that CAPS development costs may not be included in the base budget for the 1999 biennium.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$299,859	$248,745
2 Inflation/Deflation	(44,085)	(5,251)
3 Fixed Costs	187,665	(134,302)
Other Present Law Adjustments		
4 CAPS Development Costs	$2,311,498	$0
5 Consulting Services	15,988	15,988
6 Federal Indirect Cost Recovery	100,860	100,860
General Fund Reduction	(100,860)	(100,860)
7 Other Adjustments	2,305	2,305
Total Present Law Adjustments	$2,773,230	$127,485

The 1993 legislature appropriated $3.3 million total funds ($2.5 million general fund) for the 1995 biennium to develop a management information system. Congress approved enhanced federal funding for system development, so the total general fund portion of system development costs will be about $0.5 million less than the original general fund appropriation, including the amount appropriated in fiscal 1996.

5) Consulting Services - Present law adjustments for consulting services total about $32,000 over the biennium. Most of the increase (nearly $30,000) is for private adoption studies funded by state special revenue. DFS collects fees and reimburses contractors for the studies.

6) Federal Indirect Cost Recovery - The legislature offset $100,860 general fund each year of the biennium due to enhanced recovery of federal funds under a new cost recovery plan.

7) Other Adjustments - Additional present law adjustments of $4,610 over the biennium include increases in maintenance and travel.

6901 21 00000

New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 CAPS Operating	0.50	$308,109	$535,841	2.00	$1,228,384	$2,136,320
2 SB345 - Human Services Reorganization	(1.00)	(70,566)	(70,566)	(1.00)	(40,516)	(40,516)
Totals	(0.50)	$237,543	$465,275	1.00	$1,187,868	$2,095,804

New Proposals

1) CAPS Operating - The legislature approved the executive request for 0.5 FTE in fiscal 1996 and 2.0 FTE in fiscal 1997 and $2.7 million total funds ($1.5 million general fund) over the biennium to operate the CAPS system, beginning in late fiscal 1996. This budget modification continues the 2.0 FTE added by the 1993 legislature for the development of CAPS.

2) SB 345 - Human Services Reorganization - The legislature transferred 1.0 FTE and $111,082 general fund over the biennium from the Management Support Services Division to the Department of Corrections to implement SB 345. The FTE and funding provided centralized services support for the Juvenile Corrections Division, which was transferred to DOC as part of the human services reorganization.

Language

"Funds in item [CAPS Development] may not be included in the fiscal year 1996 base budget."

6901 22 00000

PUBLIC HEALTH & HUMAN SERVICES **REGIONAL ADMINISTRATION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	345.70	(30.00)	9.00	324.70	(30.00)	14.00	329.70	329.70
Personal Services	9,027,737	886,216	282,147	10,196,100	938,815	440,556	10,407,108	20,603,208
Operating Expenses	2,291,497	(1,068,785)	356,066	1,578,778	(1,074,563)	383,156	1,600,090	3,178,868
Equipment	31,528	0	17,345	48,873	0	19,350	50,878	99,751
Total Costs	$11,350,762	($182,569)	$655,558	$11,823,751	($135,748)	$843,062	$12,058,076	$23,881,827
Fund Sources								
General Fund	6,814,561	39,227	495,663	7,349,451	69,970	615,102	7,499,633	14,849,084
State/Other Special	1,004,220	12,857	0	1,017,077	12,857	0	1,017,077	2,034,154
Federal Special	3,531,981	(234,653)	159,895	3,457,223	(218,575)	227,960	3,541,366	6,998,589
Total Funds	$11,350,762	($182,569)	$655,558	$11,823,751	($135,748)	$843,062	$12,058,076	$23,881,827

Program Description

The Regional Administration Division provides protective services to ensure the health, welfare, and safety of children, the developmentally disabled, and the elderly who are in danger of abuse, neglect, or exploitation. These services are administered by the department in five regions throughout the state. Each region provides the administrative, management, and supervisory functions necessary to ensure that regional program responsibilities are met. Regions are advised by Local Youth Services Advisory Councils which serve as the link between local communities and PHHS.

Funding

The Regional Administration Division is supported by general fund, state special revenue, and federal funds. Federal funding is based on the department cost allocation plan (random moment time study) for most activities. The cost of three functions--day care licensing, public housing coordination, and refinancing services--are directly charged to federal sources. After deducting the direct federal costs, the balance of program costs are supported by a percentage of federal funds determined by the PHHS random moment time study.

State special revenue (county property tax revenues) pays a portion of social worker salaries, travel, and indirect costs. County contributions are limited to the amount spent by counties in fiscal 1987 plus inflation (section 52-1-110, MCA).

The legislature passed SB 55 to clarify county support of protective services administrative costs and limit county liability to a portion of salary, travel, and indirect costs. Prior to the 1995 legislative session, DFS requested an Attorney General's opinion on the share of program costs that should be supported by counties that had retained administration of public assistance programs (non-assumed counties). The AG's opinion, published May 19, 1994, concluded that: 1) non-assumed counties are liable for operating costs (in addition to salary and travel costs) for protective services; and 2) the county contribution for those costs was frozen at the level paid in fiscal 1987, including inflation. SB 55 defined non-assumed counties' share of costs. The legislature appropriated $0.6 million general fund and $0.1 million federal funds to cover the administrative costs formerly paid by non-assumed counties (see "New Proposals" section).

Despite present law adjustments that reduce total funding for this program, general fund and state special revenue increase. Federal funds reductions more than offset the increase in other fund sources due to transfer of targeted case management (TCM) for the developmentally disabled, which is funded at a higher percent federal funds than other, ongoing program functions.

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$886,216	$938,815
2 Inflation/Deflation	6,340	492
3 Fixed Costs	995	1,065
Other Present Law Adjustments		
4 TCM Contracted Services	(1,076,120)	(1,076,120)
Total Present Law Adjustments	($182,569)	($135,748)

Present Law Adjustments

1) Personal Services - FTE are reduced by a net 30.0 full time positions due to: a) transfer of 32.5 to the Developmental Disability Division for DD targeted case management; and b) an increase of 2.5 FTE to annualize 5 refinancing positions funded by the last legislature and implemented for only one-half year in the base budget. Personal services adjustments add a net of $1.8 million over the biennium due to terminations in fiscal 1994, annualization of the 1995 biennium pay plan, vacancy savings in fiscal 1994, career ladder changes, and turnover.

4) TCM Contacted Services - Contracted services decline due to transfer of targeted case management to the DD program. This transfer was authorized in fiscal 1995 by the 1993 legislature. The transfer is shown as a present law adjustment since the executive did not remove contracted services from the base budget. This item is funded 40 percent from the general fund and 60 percent from federal funds. Federal funds support about 70 percent of the cost of case management services for persons who are medicaid eligible.

6901 22 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Equipment - Regional Admin		$12,259	$17,345		$13,677	$19,350
2 Protective Services Workers	9.00	213,386	336,147	14.00	332,988	524,556
3 SB55 Cnty Administrative Costs		307,272	370,654		307,272	370,654
4 Personal Services Reductions		(37,254)	(68,588)		(38,835)	(71,498)
Totals	9.00	$495,663	$655,558	14.00	$615,102	$843,062

New Proposals

1) Equipment - Regional Administration - The legislature approved $36,695 over the biennium to purchase one photocopier each year for field offices where it is not possible or economical to share or purchase services. General fund covers about 75 percent of the cost and federal funds support the balance.

2) Protective Services Workers - The legislature approved the addition of 9.0 social worker FTE in fiscal 1996 and an additional 5.0 FTE in fiscal 1997, and $850,703 total funds ($536,374 general fund) over the biennium. This increase is one fewer FTE than requested by the executive. The legislature added language to HB 2 requiring the department to track costs for protective services workers separate from other department positions with the intention of measuring abuse/neglect workload indicators and staffing levels.

3) Senate Bill 55 - County Administrative Costs - The legislature appropriated $741,308 total funds ($614,544 general fund) over the biennium to implement SB 55, which limits county contributions to a portion of salaries, travel, and

indirect costs of protective services workers. An Attorney General's opinion had concluded that non-assumed counties were responsible for other administrative costs as well, including rent, equipment, and communications.

4) Personal Services Reductions - The legislature approved personal services reductions of $140,086 ($76,089 general fund) over the biennium, but allocated the reduction to operating costs instead of personal services.

Language

The legislature added the following language in an effort to measure the number of social worker protective staff compared to the number of abuse and neglect referrals and substantiations. In the past, abuse and neglect workers have been included in the same budget center with social workers and other staff with duties not directly related to abuse and neglect.

"Funds in item [social worker staff increase] may be used only for new social worker positions with duties related to child or elder abuse and neglect. The department shall establish an accounting center and a budget center to track expenditures for and the number of abuse and neglect workers separate from other department FTE. The department shall report abuse and neglect FTE and related expenditures separate from other budget functions in its budget request to the 55th Legislature."

"Funds in item [SB 55 -- county administrative costs] are contingent on passage and approval of Senate Bill No. 55." (SB 55 was passed and approved.)

6901 25 00000

PUBLIC HEALTH & HUMAN SERVICES **PROGRAM MANAGEMENT DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	29.00	0.00	(1.00)	28.00	0.00	(1.00)	28.00	28.00
Personal Services	964,520	137,181	(39,987)	1,061,714	143,231	(40,143)	1,067,608	2,129,322
Operating Expenses	1,062,032	180,697	997,843	2,240,572	179,458	0	1,241,490	3,482,062
Equipment	50,186	(50,186)	0	0	(50,186)	0	0	0
Grants	7,430,556	793,370	240,377	8,464,303	793,370	0	8,223,926	16,688,229
Benefits and Claims	23,303,177	(199,170)	250,000	23,354,007	687,942	250,000	24,241,119	47,595,126
Total Costs	$32,810,471	$861,892	$1,448,233	$35,120,596	$1,753,815	$209,857	$34,774,143	$69,894,739
Fund Sources								
General Fund	17,451,208	(3,070,846)	32,530	14,412,892	(2,375,342)	32,462	15,108,328	29,521,220
State/Other Special	1,626,876	346,940	0	1,973,816	360,401	0	1,987,277	3,961,093
Federal Special	13,732,387	3,585,798	1,415,703	18,733,888	3,768,756	177,395	17,678,538	36,412,426
Total Funds	$32,810,471	$861,892	$1,448,233	$35,120,596	$1,753,815	$209,857	$34,774,143	$69,894,739

Program Description

The Program Management Division provides the overall administrative support and policy development for the child and adult protective direct service programs. This division administers the benefit and grant funds for community services, aging services, and child and adult protective services. Two gubernatorial advisory councils are administratively attached to the division--the Governor's Advisory Council on Aging and the Governor's Advisory Council on Child Care.

Funding

The Program Management Division is supported by general fund, state special revenue, and federal funds. State special revenue is county funds (property tax revenues), and third party reimbursements. County contributions are limited to the lessor of actual foster care benefit payments or the amount expended in fiscal 1987 (section 52-1-110, MCA). Third party reimbursements are payments and contributions from parents, federal programs, and private insurance. Third party reimbursements offset general fund, county funds, and federal funds according to the funding split of benefit payments eligible for third party reimbursement.

Administrative costs of the Aging Bureau are funded 25 percent from the general fund and 75 percent from federal funds. Program Management Administration is funded from general fund and federal funds, a portion of which are federal indirect cost funds.

Program Management Division Budget Overview

The fiscal 1996 program budget is 7 percent higher than the base budget and the fiscal 1997 budget is 6 percent higher than the base. Present law adjustments add $2.6 million total funds and new proposals add $1.7 million total funds over the biennium.

General fund support declines $3 million from the base budget in fiscal 1996 and $2.3 million in fiscal 1997 due to the allocation of foster care benefits between the Program Management Division and Juvenile Corrections Division, which was transferred to the Department of Corrections. (Fiscal 1994 base benefit expenditures for both divisions were recorded in the Program Management Division.) Increases in federal revenue more than offset the general fund reductions due to continuation of and increases in federal grants.

Overview of Benefits and Grants

Together benefit and grant appropriations account for 92 percent of the total biennial program budget. And with the exception of a new proposal to continue $1 million of federal Family Preservation and Support contracts, changes in benefits and grants appropriations account for the majority of programmatic increases. Since benefit and grant appropriations change due to present law adjustments and new proposals, total appropriations for each benefit and grant are discussed in this program overview.

Table 12 compares the base budget to 1997 biennium benefit appropriations. Total benefit appropriations increase slightly over the biennium, about $1 million total funds, but general fund declines $6.5 million. However, when adjustments are made for two benefit appropriations transferred to other programs (youth residential psychiatric care was transferred to the Mental Health Program and juvenile corrections foster care benefits were transferred to DOC), benefit appropriations increased $11.3 million total funds ($3.7 million general fund) over the biennium.

Foster Care Benefits - Foster care benefits are the single largest benefit administered by this division and account for the majority of general fund budgeted for benefits and grants. Foster care benefits include family foster care, group homes, shelter care, and non-medicaid residential treatment. Foster care services are funded with general fund, county funds, third party reimbursements, and federal funds. County contributions are limited to the lower of actual expenditures or the amount expended by the county in fiscal 1987. Abuse/neglect foster care benefits increase about $2 million total funds ($0.9 million general fund) over the biennium. The increase is due to caseload growth and a 1.5 percent provider rate increase.

Day Care - Day care benefits are funded from general fund and federal funds depending on the type of care and eligibility of the recipient. The largest share of day care benefits is funded from the federal child care block grant, which funds day care for low-income parents who participate on a sliding fee scale. Child protective services day care is funded 100 percent from the general fund. At-risk and transitional day care is funded about 30 percent general fund and about 70 percent federal funds, for people eligible or at-risk of becoming eligible for the AFDC program. Day care benefits increase 14 percent annually between fiscal 1994 and 1997. During fiscal 1994, 822 families received day care and an average of 550 children per month received day care services from federal block grant funds. Day care increases are due to: 1) budgeting the at-risk program at the level approved by the 1993 legislature; and 2) a 1.5 percent provider rate increase.

Residential Psychiatric Treatment - Residential psychiatric treatment is a medicaid benefit funded about 30 percent from the general fund and about 70 percent from federal funds. During fiscal 1994, this division budget included the general fund match and the Medicaid Services budget included the federal match. The legislature transferred residential psychiatric treatment to the Mental Health Program for the 1997 biennium (see Mental Health Program narrative).

Fiscal 1994 base budget expenditures for residential psychiatric treatment listed in Table 12 do not include $1 million of general fund medicaid authority transferred from SRS so that DFS could pay cost over-runs and avoid moving fiscal 1995 appropriation authority to fiscal 1994. Without the transfer, DFS would have had to implement a plan to reduce fiscal 1995 expenditures and services to manage within the reduced appropriation authority (section 17-7-301, MCA).

PHHS is anticipating that it will need up to $4.3 million additional general fund in fiscal 1995 to cover cost over-runs, primarily due to residential psychiatric care. The executive plans to transfer general fund authority from the Medicaid Services program in SRS to cover the shortfall.

Therapeutic Group Homes (TGH) - This medicaid benefit was authorized by the 1993 legislature as a way to lessen the state cost of 100 percent general fund group home care and to provide a level of community based care that is less restrictive than residential psychiatric care but more intensive than group care. The 30 percent general fund match for TGH care is budgeted in this division, while the federal medicaid match is budgeted in the Medicaid Services

Table 12
Fiscal 1994 Base Budget Benefit Expenditures Compared to
1997 Biennium Appropriations

Funding/Benefit	Base Budget Fiscal 1994	Fiscal 1996	Difference From Base	Fiscal 1997	Difference From Base	Annual Rate of Change 94-97
Total Funds						
Foster Care*						
Abuse/Neglect Benefits	$12,552,917	$13,198,391	$645,474	$13,912,988	$1,360,071	3.49
Juvenile Corrections Benefits*	3,762,575	0	(3,762,575)	0	(3,762,575)	N/A
Child Care	2,446,876	3,704,736	1,257,860	3,704,736	1,257,860	14.83
Residential Psychiatric Ttmnt.**	1,393,017	0	(1,393,017)	0	(1,393,017)	N/A
Therapeutic Group Homes	782,350	1,611,565	829,215	1,650,976	868,626	28.27
Supplemental Security Income	968,000	1,080,800	112,800	1,213,904	245,904	7.84
Subsidized Adoption	869,482	869,482	0	869,482	0	0.00
Chemical Dependency Trtmnt.	161,039	161,039	0	161,039	0	0.00
Big Brothers & Sisters	182,148	182,148	0	182,148	0	0.00
Independent Living	92,593	145,846	53,253	145,846	53,253	16.35
Partnership Project (Refinancing	92,180	2,150,000	2,057,820	2,150,000	2,057,820	185.72
Crisis Nursery Project	0	200,000	200,000	200,000	200,000	N/A
In-Home Services - Elderly	0	50,000	50,000	50,000	50,000	N/A
Total Funds	$23,303,177	$23,354,007	$50,830	$24,241,119	$937,942	1.32
Biennial Difference					$988,772	
Total Change Excluding Juvenile Corrections and Residential Psych. Benefits	$18,147,585	$23,354,007	$5,206,422	$24,241,119	$6,093,534	10.13
Biennial Difference					$11,299,956	
General Fund						
Foster Care*						
Abuse/Neglect Benefits	$7,195,911	$7,400,906	$204,995	$7,918,489	$722,578	3.24
Juvenile Corrections Benefits*	3,709,149	0	(3,709,149)	0	(3,709,149)	N/A
Residential Psychiatric Ttmnt.**	1,393,017	0	(1,393,017)	0	(1,393,017)	N/A
Therapeutic Group Homes	782,413	1,611,565	829,152	1,650,976	868,563	28.26
Supplemental Security Income	968,000	1,080,800	112,800	1,213,904	245,904	7.84
Child Care	590,719	877,113	286,394	879,577	288,858	14.19
Subsidized Adoption	370,677	370,677	0	370,677	0	0.00
Chemical Dependency Trtmnt.	161,039	161,039	0	161,039	0	0.00
Big Brothers & Big Sisters	182,148	182,148	0	182,148	0	0.00
In-Home Services for the Elderly	0	50,000	50,000	50,000	50,000	N/A
Total General Fund	$15,353,073	$11,734,248	($3,618,825)	$12,426,810	($2,926,263)	(6.81)
Biennial Difference					($6,545,087)	
GF Change Excluding Juvenile Corrections and Residential Psych. Benefits	$10,250,907	$11,734,248	$1,483,341	$12,426,810	$2,175,903	6.63
Biennial Difference					$3,659,245	

*The legislature allocated foster care benefits between abuse/neglect services and juvenile corrections services. The legislature also accepted the executive request to transfer the juvenile corrections functions to the Department of Corrections. Benefit appropriations for juvenile corrections are $3.9 million in fiscal 1996 and $4.1 million in 1997.
**Does not include $1 million expenditures paid from medicaid general fund benefit appropriation transferred from the Medicaid Services Division. The legislature approved the executive request to transfer residential youth psychiatric treatment to the Mental Health Program.

Division.

1997 biennium TGH appropriations are more than double the base expenditures due to an expansion in the number of group homes. In fiscal 1994 there were 68 TGH beds, and in fiscal 1995 the number nearly doubled to 127. Unlike residential psychiatric care, PHHS controls the number of TGH beds.

The department expanded TGH care by contracting for specialized care for a number of children placed in residential psychiatric care who lost medicaid eligibility because they did not exhibit the level of improvement necessary for continued medicaid reimbursement. Since the criteria for maintaining medicaid eligibility is less restrictive for TGH care than for residential psychiatric care, these children can continue to be served at a lower cost to the general fund.

In order to be eligible for medicaid reimbursement, a TGH must be licensed by PHHS and under contract with PHHS. Only TGH treatment costs are medicaid eligible. The state pays the cost of room and board from the general fund.

Supplemental Security Income (SSI) - The state pays a monthly supplement to persons who are determined to be SSI-eligible under the federal Social Security Act and live in licensed facilities. General fund pays the full cost of this benefit. Costs increase due to: 1) placement of 18 residents from the Montana Development Center in community services; and 2) other caseload growth.

Subsidized Adoption - This program promotes adoption of children with special needs, such as physical and/or mental handicaps. Support services and medical assistance are provided to children who would likely not have a permanent home without a subsidy. If the child is eligible for federal Title IV-E participation, federal funds support 70 percent of the cost and general fund supports the balance. Otherwise, the cost is 100 percent general fund. Although the legislature maintained the base budget level of funding, the amount expended in fiscal year 1994 was about $347,000 higher (66 percent) than the amount appropriated by the 1993 legislature due to DFS efforts to find permanent placements for children.

Chemical Dependency - This benefit funds chemical dependency treatment for eligible indigent youth. To be eligible, a child must: 1) meet AFDC income standards; 2) be adjudicated delinquent, in need of supervision, or in need of care; and 3) in need of a program approved by DOC. General fund supports the entire cost of this benefit.

Big Brothers and Big Sisters - This program grants general fund to Big Brothers/Big Sisters county programs to assist youth in need of an adult role model.

Independent Living - This federal program assists foster care children age 16 or older in making the transition from foster care to independent living.

Partnership Project (Refinancing) - The 1995 legislature appropriated $2.15 million each year for Partnership Project services, which are community based services aimed at preventing out-of-home placement of children at risk of abuse or neglect. These services are funded by refinancing services that would be fully funded from the general fund with state special and federal revenues. Most fiscal 1994 base expenditures for refinancing services were recorded in contracted services and the legislature directed that Partnership Project appropriations be made and expenditures be recorded in the benefits category.

Crisis Nursery Project - The legislature appropriated $200,000 of federal authority for respite care for young children at risk of abuse and neglect. The legislature added language to HB 2 directing that crisis nursery grant expenditures could not be included in development of the base budget for the 1999 biennium.

In-Home Services for the Elderly - The legislature added $50,000 general fund each year of the biennium to expand in-home services for the elderly.

Grants - Table 13 shows the 1997 biennium appropriations for grants compared to the fiscal 1994 base budget. Grant appropriations increase $1.9 million total funds ($0.6 million general fund) over the biennium.

Table 13
Fiscal 1994 Base Budget Grant Expenditures Compared to 1997 Biennium Appropriations

Funding/Grant	Base Fiscal 1994	Fiscal 1996	Difference From Base	Fiscal 1997	Difference From Base	Annual Rate of Change 94 - 97
Total Funds						
Aging Services	$5,220,688	$5,426,113	$205,425	$5,426,113	$205,425	1.29%
Child Care	1,028,422	1,199,429	171,007	1,199,429	171,007	5.26%
Family Based Services	536,586	892,000	355,414	892,000	355,414	18.46%
Domestic Violence	295,922	341,964	46,042	341,964	46,042	4.94%
Refugee	193,416	212,636	19,220	212,636	19,220	3.21%
Child Abuse & Neglect	74,155	100,949	26,794	100,949	26,794	10.83%
Children's Trust Fund	29,747	48,771	19,024	48,771	19,024	17.92%
Children's Justice Act	2,064	2,064	0	2,064	0	0.00%
W.K. Kellogg - Match	0	240,377	240,377	0	0	N/A
Other Grants	49,557	0	(49,557)	0	0	N/A
Total	$7,430,557	$8,464,303	$1,033,746	$8,223,926	$842,926	3.44%
Biennial Difference					$1,876,672	
General Fund						
Aging Services	$743,246	$743,246	$0	$743,246	$0	0.00%
Family Based Services	536,586	763,757	227,171	763,757	227,171	12.49%
Domestic Violence	98,519	146,406	47,887	146,409	47,890	14.12%
Sub-Total Grants	$1,378,351	$1,653,409	$275,058	$1,653,412	$275,061	6.25%
Biennial Difference					$550,119	

Aging Grants - Both general fund and federal funds support aging grants; however, the majority of grant costs are funded by federal funds. Federal regulations require a maintenance of effort for grant funds, such that the state share may be no less than average state expenditures in the three previous federal fiscal years. The state maintenance of effort is $743,246 general fund each year of the 1997 biennium. Funds are granted to the local area agencies on aging that manage and contract for services.

Day Care - Day care grants are funded from child care block grant funds. Grants are made to local agencies and support resource and referral (R and R) services and development of additional child care resources.

Family Based Services - Beginning in fiscal 1992, the legislature appropriated funds for short-term, intensive therapeutic services to families with a child or children at imminent risk of removal due to abuse, neglect, or delinquency. DFS reallocated funds within its budget to expand contracts to $536,586 from the level approved by the 1993 legislature ($371,200 general fund annually). The legislature combined family based services expenditures included in the foster care benefits request with grants, increasing the budget by $355,414 total funds ($227,171 general fund) annually.

Domestic Violence - PHHS contracts with non-profit organizations for safe homes, a 24-hour crisis line, and public awareness and education programs. Grants are funded from federal grant funds and general fund.

Refugee - This grant is supported by federal funds and provides services for Indo-Chinese refugees.

Child Abuse and Neglect - This federal grant supports contracts for education and information dissemination about physical and sexual abuse of children.

Children's Justice Act - This grant provides funds to improve the investigation, prosecution, and handling of child sexual abuse cases in a manner that will limit further trauma to victims. The program is supported by federal funds.

Other Grant Expenses - During fiscal 1994, expenses for some contracted services were erroneously recorded in the grant expenditure category. The costs have been reallocated to contracted services in the 1997 biennium.

Present Law Adjustments

1) Personal Services - About $47,000 of the change in personal services is due to annualization of the 1995 biennium pay plan and about $11,000 is due to benefits and longevity increases. Fiscal 1994 vacancy savings, turnover, and reclassification of positions account for the balance of the increase. Personal services increases in the aging program are funded 25 percent from general fund and 75 percent from federal funds. Other personal services changes are funded either from federal funds or a combination of general fund and federal funds depending on program function.

3) Fixed Costs - Nearly all fixed costs were transferred to the Management Support Services Division to maximize recovery of federal indirect cost revenue. Funding changes due to these adjustments depend on the program service from which the fixed cost was transferred.

4) Contracted Services - The legislature appropriated $168,710 each year for additional contracted services costs. Program administration contracted services for training of foster care parents increase $35,995, largely due to transferring costs recorded in grants in fiscal 1994 to contracted services. About three quarters of the cost of this contract is supported by general fund and the balance by federal funds.

Contracted services costs for processing Supplemental Security Income (SSI) payments are expected to double between fiscal 1994 and fiscal 1996 due to new federal regulations. The increased cost ($47,195 annually) is supported with general fund.

Contracts with Tribes to administer child abuse and neglect functions on reservations increase $84,288 each year, with 50 percent of the cost supported by general fund and 50 percent by federal funds. The balance of contracted services increases are for federally funded increases to provide independent living assessments and plans for eligible youth.

5) Statewide Indirect Costs - The legislature appropriated additional state special revenue authority to pay indirect costs assessed against state special revenue funds.

6) Reductions in Operating Costs and 7) Equipment - Present law increases are partially offset by operating cost and equipment reductions of $157,755 over the biennium. Rent was transferred to and consolidated in the Management

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$137,181	$143,231
2 Inflation/Deflation	1,822	3,728
3 Fixed Costs	(18,727)	(18,610)
Other Present Law Adjustments		
4 Contracted Services	168,710	168,710
5 Statewide Indirect Costs	55,894	56,011
6 Reductions in Operating Costs	(27,002)	(30,381)
7 Equipment	(50,186)	(50,186)
8 Foster Care Caseload	(3,298,455)	(2,780,921)
9 Foster Care Rate Increase	181,355	378,418
10 Partnership Projects	2,057,820	2,057,820
11 Child Care Benefits and Grants	1,211,617	1,211,617
12 Child Care Rate Increase	217,250	217,250
13 Therapeutic Group Home	829,215	868,626
14 Supplemental Security Income	112,800	245,904
15 Family Based Services	355,414	355,414
16 Domestic Violence	46,042	46,042
17 Aging/Independent Living/Other Grants	323,716	323,716
18 Program Administration Grants	(49,557)	(49,557)
19 Residential Treatment Center Match	(1,393,017)	(1,393,017)
20 SB83 General Fund Increase	35,406	34,409
21 SB83 State Special Revenue Reduction	(35,406)	(34,409)
Total Present Law Adjustments	$861,892	$1,753,815

Support Services Division budget. Other operating costs such as travel, supplies, and communications costs decrease slightly from base budget expenditures. This program does not include a request for equipment, resulting in reductions from the base budget.

8) Foster Care Caseload - Excluding provider rate increases, the legislature approved a total foster care benefit appropriation of $16.8 million ($11 million general fund) in fiscal 1996 and $17.5 million ($11.6 million general fund) in fiscal 1997 compared to base budget expenditures of $16.3 million total funds ($10.9 million general fund). The present law adjustment in foster care benefits is negative because: 1) the Program Management Division base budget included benefit payments for two programs--abuse/neglect functions (Program Management Division) and juvenile corrections functions (Juvenile Corrections Division); 2) the legislature allocated 1997 biennium foster care benefit appropriations between the two divisions; and 3) juvenile corrections functions (and budget) were transferred to the Department of Corrections by SB 345. So total foster care benefit appropriations for this program appear to be less than the base budget. However, after adjustments are made to net out juvenile corrections benefits and provider rate increases, abuse/neglect foster care benefits increase $1.4 million total funds ($0.5 million general fund) over the biennium.

9) Foster Care Rate Increase - The legislature appropriated $559,773 ($370,420 general fund) over the biennium for foster care provider rate increases. The legislature appropriated funding sufficient to support a 1.5 percent annual rate increase, which was $39,805 more than was requested in the Executive Budget. Funding in the Executive Budget would have supported a rate increase of about 1.3 percent.

10) Partnership Project - The legislature approved the executive request to continue "refinancing" general fund expenditures by offsetting general fund with federal and state special revenue support for eligible services. The "refinanced" general fund is used to support the Partnership Project, which are contracts for community-based services designed to support families with children who are at-risk of abuse or neglect. The services are aimed at preventing out-of-home placement.

The legislature added $2.1 million in federal and state special revenue annually for Partnership Projects. The increase is partially offset by base benefit expenditures of $92,180 federal funds. DFS let Partnership contracts totalling about $1.5 million annually in fiscal 1995.

The legislature added language directing the department to continue refinancing general fund services in order to develop family support services. However, the department may not expand the Partnership Project so that foster care general fund requirements are greater than appropriations in HB 2. Additionally, the department is required to

present a report to the 55th Legislature confirming the outcome of the Partnership Project, the number of families and children served and the types of services funded, and the impact on the growth in the foster care caseload.

11) Child Care Benefits - The legislature approved the executive request for child care grants and benefit increases of $2.4 million ($1.1 million general fund) over the biennium. Federal block grant supports most of the federal increase and general fund supports increases in the at-risk day care program. The legislature continues the at-risk program at the general fund level approved by the 1993 legislature, $410,000 general fund and $960,000 federal funds annually. (Federal funds change, depending on the federal match rate.) Base budget child care benefits and grants were $3 million.

12) Child Care Rate Increase - The legislature appropriated funds to pay licensed, registered child care providers at the 75th percentile of the market rate survey as required by federal law. (The Executive Budget funded a rate increase equivalent to the 71st percentile). The legislature added $170,367 total funds ($75,933 general fund) above the executive request to support the rate increase. However, part of the child care increase in the Program Management Division budget was offset by a reduction of $59,313 excess funds ($19,917 general fund) from the child care rate increase in the Family Assistance Program, which administers child care benefits for AFDC recipients participating in the JOBS program and former AFDC recipients receiving transitional benefits. The legislature also consolidated the child care rate increase in a present law adjustment. The Executive Budget had presented the rate increase in two components: 1) a present law adjustment of 1.5 percent above fiscal 1994 rates; and 2) additional funds in a new proposal to bring the total rate increase to 50 cents per day.

13) Therapeutic Group Homes - The legislature appropriated an additional $1.7 million general fund over the biennium for the medicaid match for therapeutic group home (TGH) care. Base budget TGH general fund expenditures were $0.8 million. DFS expanded the number of TGH beds in order to bring children placed out-of-state back to Montana and in order to retain medicaid funding for children who lost medicaid eligibility for residential psychiatric care. The executive is planning to include children's services in its mental health managed care plan so TGH services and appropriations will be included in state funding pool for the managed care contract.

14) Supplemental Security Income - The legislature approved appropriation increases for SSI payments of 10 percent annually from the fiscal 1994 base to fiscal 1997. Nearly all the increase is due to caseload growth, including an adjustment in fiscal 1997 of $20,304 for 18 Montana Development Center (MDC) residents who will be placed in community services. This benefit is funded entirely from the general fund.

15) Family Based Services - The legislature appropriated an additional $355,414 total funds ($227,171 general fund) each year for family based services. Base budget expenditures were $536,586. Federal funds are from Title IV-A of the Social Security Act, which provides a 50 percent match for emergency services for eligible youth. The legislature combined all family based services in a single appropriation. The Executive Budget included part of the family based services in the foster care benefit request.

16) Domestic Violence - As requested by the executive, the legislature approved an annual increase of $46,042 for domestic violence grants each year of the biennium. Base budget expenditures were $295,922. Federal funds support $33,561 of the annual increase and general fund supports the balance.

17) Aging/Independent Living/Other Grants - The legislature appropriated $323,716 of federal authority each year for other grants including aging, independent living, refugee, children's trust fund, children's abuse and neglect, and children's justice act.

18) Program Administration Grants - As noted in the present law operating cost adjustment, the legislature reallocated part of these benefit expenditures to contracted services.

19) Residential Treatment Match - The legislature transferred residential psychiatric treatment of youth to the Mental Health Program. The present law reduction understates base expenditures for this benefit by $1 million general fund. (Medicaid authority was transferred from SRS to cover fiscal 1994 cost over-runs.)

20) and 21) SB 83 Funding Change - SB 83 de-earmarked state special revenue that supported domestic violence benefits. The legislature reduced state special revenue and increased general fund by a like amount.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Crisis Nursery Project	0.00	$0	$200,000	0.00	$0	$200,000
2 In-Home Services - Elderly	0.00	50,000	50,000	0.00	50,000	50,000
3 W. K. Kellogg Grant - Matching	0.00	0	240,377	0.00	0	0
4 Personal Services Reductions	(1.00)	(17,470)	(39,987)	(1.00)	(17,538)	(40,143)
5 Family Preservation & Support	0.00	0	997,843	0.00	0	0
Totals	(1.00)	$32,530	$1,448,233	(1.00)	$32,462	$209,857

New Proposals

1) Crisis Nursery Project - The legislature appropriated $400,000 federal funds over the biennium to fund respite care for children who are at risk of abuse and neglect. The legislature added language that these funds could not be included in the base budget used to develop the 1999 biennium executive request.

2) In-Home Services for the Elderly - The legislature appropriated $50,000 general fund each year of the biennium for additional in-home services for the elderly. The aging program contracts with the local area agencies on aging to deliver these benefits. Base general fund expenditures for services are $416,000 annually.

3) W.K. Kellogg Grant -- Matching Funds - The legislature added $240,377 federal funds over the biennium to match a private grant awarded to the department by the Kellogg Foundation. The private grant requires no state matching funds and the grant will be used to help find permanent homes or placements for foster care children. The department may be able to match some of the private grant funds used for local training with federal Title IV-E funding.

4) Personal Services Reduction - The legislature removed 1.0 grade 17 FTE administrative officer for savings of $80,000 ($35,000 general fund) over the biennium. The position performed utilization review of residential psychiatric benefits and was added as a new position in the Mental Health Program.

5) Family Preservation and Support - The legislature appropriated $997,843 federal authority over the biennium to continue a federal grant, authorized through the Omnibus Budget Reconciliation Act of 1993 and added by budget amendment during fiscal 1994. The grant will fund preventive services and services to families at risk or in crisis, which are services similar to those envisioned by the Partnership Project. The grant requires a 25 percent match ($249,462 over the biennium), which will be provided through local matching funds.

Language

"The department shall present a report to the 55th Legislature confirming the outcome of the Partnership Project. The report must include the number of families and children served and the types of services funded and must verify the impact on the growth in the foster care caseload, if any. The report must explicitly identify fiscal year 1996 expenditures by fund type, service, and county location, compared to the estimated expenditures by fund type and service for the 1999 biennium."

"Because of de-earmarking by Senate Bill No. 83, item [Program Management] has been reduced by $35,406 in state special revenue in fiscal year 1996 and by $34,409 in state special revenue in fiscal year 1997 and general fund amounts have been increased by the same amounts. If Senate Bill No. 83 is not passed and approved in a form that de-earmarks the state special revenue, then the general fund amounts in item [Program Management] are reduced by $35,406 in fiscal year 1996 and by $34,409 fiscal year 1997 and the state special revenue amounts are increased by the same amounts." (SB 83 was passed and approved.)

"Funds in item [Crisis Nursery Project] may not be included in the base budget for the 1999 biennium."

"Item [Partnership Project] is to develop family support services for children at risk of abuse or neglect and for children who have been referred for abuse or neglect and to develop community-based services for children placed in or who are at risk of being placed in juvenile corrections facilities. The development of additional services is contingent on recovery of federal funds through department refinancing initiatives and the collection of contributions from parents of children. Services must be developed within appropriation limitations in [this act], and the department may not expand partnership services so that foster care general fund requirements are greater than appropriations in [this act]."

"Funds in item [At-Risk Child Care] may be used only to fund child care benefit costs for families who are at risk of becoming eligible for AFDC. Funds in item [At-Risk Child Care] may not be used for any other purpose, transferred to any other use in the department, or transferred to another department."

6901 31 00000

PUBLIC HEALTH & HUMAN SERVICES **CENTRAL OPERATIONS/6401**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	0.00	13.00	0.00	13.00	13.00	0.00	13.00	13.00
Personal Services	0	374,163	0	374,163	375,734	0	375,734	749,897
Operating Expenses	0	772,551	55,000	827,551	682,074	55,000	737,074	1,564,625
Equipment	0	0	25,000	25,000	0	25,000	25,000	50,000
Total Costs	$0	$1,146,714	$80,000	$1,226,714	$1,057,808	$80,000	$1,137,808	$2,364,522
Fund Sources								
General Fund	0	1,016,496	80,000	1,096,496	941,057	80,000	1,021,057	2,117,553
State/Other Special	0	128,651	0	128,651	116,751	0	116,751	245,402
Federal Special	0	1,567	0	1,567	0	0	0	1,567
Total Funds	$0	$1,146,714	$80,000	$1,226,714	$1,057,808	$80,000	$1,137,808	$2,364,522

Program Description

Central Office provided the overall management and policy development for the Department of Corrections and Human Services, as well as administrative, data processing, legal, personnel, and accounting and fiscal services. The portion of this program that provides administrative and fiscal services to the three programs transferred from DCHS to PHHS (Mental Health Division, Chemical Dependency Division, and Special Services Division), was transferred to the new PHHS. The Central Office Program at the new PHHS operates the Reimbursement Bureau, which collects institutional reimbursement for services rendered. The bureau collects reimbursement from medicaid, medicare, veterans administration, private insurance companies, and individuals. This program also provides accounting and budget services for the Mental Health Division, the Chemical Dependency Division, and the Special Services Division. Functions and duties of this program will likely be recombined with other management and administrative programs and functions transferred to the new PHHS from the Departments of Social and Rehabilitation Services, Health and Environmental Sciences, and the Department of Family Services. The program is presented separately in order to provide an easy reference between the Executive Budget proposal, legislative action, and the Executive Budget that will be presented to the 55th Legislature.

Funding

The Central Office Program is supported predominately by general fund. State special revenue consists primarily of alcohol tax and cigarette tax revenue to fund a portion of fixed costs and audit costs attributable to the Mental Health Division, the Chemical Dependency Division, and the Special Services Division. Federal block grant funds are for audit costs.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Other Present Law Adjustments		
1 Central Office Program	$1,146,714	$1,057,808
Total Present Law Adjustments	$1,146,714	$1,057,808

Present Law Adjustments

1) As a result of the passage of Senate Bill 345, which reorganized all human services agencies, a portion of the Central Office Division at the former DCHS was transferred to the new PHHS. The portion transferred provides administrative and fiscal services to the Mental Health Division, the Chemical Dependency Division, and the Special Services Division, which were also transferred from DCHS to PHHS.

These funds provide for: 1) 11.0 FTE in the Reimbursement Bureau, which collects between $15 and $18 million each year for institutional reimbursement; 2) 2.0 FTE that provide accounting services to the three divisions listed above; 3) a contract to obtain legal services; and 4) fixed costs and audit costs that are attributable to the Mental Health Division, the Chemical Dependency Division, and the Special Services Division.

6901 31 00000

New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Safety Program	0.00	$80,000	$80,000	0.00	$80,000	$80,000
Totals	0.00	$80,000	$80,000	0.00	$80,000	$80,000

New Proposals

1) Safety Program - The legislature approved the executive request to add $320,000 over the biennium to fund a safety program at the former DCHS. Due to approval of SB 345, this safety program is split between the new DOC and the new PHHS ($160,000 for each agency). These funds are used for contracted services, education and training costs, travel, and safety equipment to promote safety in the workplace. This program is certified by the State Fund and resulted in reduced workers' compensation rates at the former DCHS.

6901 33 00000

PUBLIC HEALTH & HUMAN SERVICES — **MENTAL HEALTH**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	635.92	(1.00)	(10.85)	624.07	(1.00)	(10.25)	624.67	624.67
Personal Services	20,962,573	864,706	(402,890)	21,424,389	997,336	(380,137)	21,579,772	43,004,161
Operating Expenses	3,798,639	151,001	213,122	4,162,762	266,135	218,075	4,282,849	8,445,611
Equipment	171,946	(81,039)	(15,400)	75,507	(81,039)	(16,800)	74,107	149,614
Grants	7,293,551	7,034,681	947,224	15,275,456	7,315,072	922,969	15,531,592	30,807,048
Benefits and Claims	0	0	0	0	0	20,773,720	20,773,720	20,773,720
Transfers	82,280	(82,280)	0	0	(82,280)	0	0	0
Debt Service	906	(906)	0	0	(906)	0	0	0
Total Costs	$32,309,895	$7,886,163	$742,056	$40,938,114	$8,414,318	$21,517,827	$62,242,040	$103,180,154
Fund Sources								
General Fund	30,626,721	7,761,629	609,597	38,997,947	8,286,130	611,648	39,524,499	78,522,446
State/Other Special	161,736	(11,443)	(2,541)	147,752	(11,436)	20,771,179	20,921,479	21,069,231
Federal Special	1,521,438	135,977	135,000	1,792,415	139,624	135,000	1,796,062	3,588,477
Total Funds	$32,309,895	$7,886,163	$742,056	$40,938,114	$8,414,318	$21,517,827	$62,242,040	$103,180,154

Program Description

The Mental Health Division includes: 1) administrative operations; 2) MSH; 3) CFA; and 4) community based services provided primarily in partnership with private, non-profit mental health centers with regional headquarters in Miles City, Billings, Great Falls, Missoula, and Helena. The Managing Resources Montana Program (MRM) that was formed in response to the 1993 legislative directive that state agencies develop and coordinate services for seriously emotionally disturbed (SED) youth is operated through the Mental Health Division.

The purpose of this division, as defined in section 53-21-101, MCA, is to: 1) secure care and treatment for the seriously mentally ill; 2) provide treatment in a community-based setting when possible; 3) provide treatment in an institution when necessary; and 4) assure that due process of law is accorded any person who is seriously mentally ill.

The MSH, authorized in section 53-6-301, MCA, performs psychiatric care and treatment at Warm Springs for mentally ill persons who cannot be appropriately treated in community programs.

The CFA, authorized in section 53-21-411, MCA, is a residential facility for long-term care and treatment of persons who: 1) are 55 years of age or older; 2) are transferred from MSH or referred from Montana mental health centers; 3) have chronic mental disorders related to the aging process; 4) require a level of care not otherwise available in the community; and 5) are not so severe or acute as to require an active treatment program such as that available at MSH.

This division was transferred to this agency from the former Department of Corrections and Human Services as a result of SB 345.

Funding

General fund is the primary source of funding for the Mental Health Division. Table 14 shows the FTE and summarizes the funding by program within the Mental Health Division.

Table 14
Mental Health Division
FTE and Funding by Program

	Fiscal 1996					Fiscal 1997				
Program	FTE	Gen. Fund	State Fund	Fed/Other	Total	FTE	Gen. Fund	State Fund	Fed/Other	Total
Operations	7.75	$453,970	$2,400	$135,000	$591,370	7.75	$458,508	$2,400	$135,000	$595,908
MT State Hospital	496.25	20,208,392	140,435		20,348,827	496.25	20,383,813	140,442		20,524,255
Center for the Aged	118.67	4,508,999	4,917		4,513,916	118.67	4,575,297	4,917		4,580,214
Community MH	0.00	5,958,164		792,589	6,750,753	0.00	6,238,459		796,236	7,034,695
MRM	1.40	8,046,995		864,826	8,911,821	2.00	8,046,995		864,826	8,911,821
SB 223 Managed Care	0.00				0	0.00		20,773,720		20,773,720
Vacancy Savings	0.00	(178,573)			(178,573)	0.00	(178,573)			(178,573)
Total Division	624.07	$38,997,947	$147,752	$1,792,415	$40,938,114	624.67	$39,524,499	$20,921,479	$1,796,062	$62,242,040

State special revenue includes: 1) donations at CFA, MSH, and mental health conferences; 2) canteen funds at MSH; and 3) $20,773,720 of authority in fiscal 1997 to receive payment from the mental health managed care contractor.

Federal funds are from chemical dependency/mental health block grants and categorical grants. The funds are used for community mental health services, utilization review, and the mental health statistical improvement program.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$864,706	$997,336
2 Inflation/Deflation	144,129	231,469
3 Fixed Costs	(181)	(181)
Other Present Law Adjustments		
4 Other Services	($9,291)	($18,549)
5 Communications	(80,397)	(80,397)
6 MRM General Fund Grants	7,034,681	7,315,072
7 Other	(67,484)	(30,432)
Total Present Law Adjustments	$7,886,163	$8,414,318

Present Law Adjustments

The legislature authorized present law increases in the Mental Health Program of approximately $7.9 million in fiscal 1996 and $8.4 million in fiscal 1997 over the fiscal 1994 base. Approximately 98 percent of the increase is general fund.

1) Personal Services - The legislature funded all personal services increases due to annualization of the pay plan and other adjustments.

FTE decrease in this program due to SB 345 agency reorganization. One FTE recorded in this program's base budget performed duties in both the Mental Health Division and the Corrections Division. The Department of Corrections retained this FTE.

4) Other Services - The legislature authorized negative adjustments as requested by the department. The original Executive Budget includes adjustments of $860,154 in fiscal 1996 and $1,314,661 in fiscal 1997 in anticipation of increased federal grants used to contract for community mental health services. The department learned these federal funds would not be available and requested that the legislature reduce the adjustments accordingly.

5) Communications - The legislature approved a negative adjustment for communications due to one time expenditures in the 1995 biennium. The Department of Administration (DOA) has installed a new telephone system at MSH and payment will be completed during fiscal 1995.

6) MRM General Fund Grants - The legislature authorized a $7 million present law adjustment each year for grants in the MRM program. Only $2 million of this adjustment is an actual increase over the fiscal 1994 base. Fiscal 1994 general fund expenditures were $5,045,995, but were incurred by and recorded at the Department of Family Services

and are excluded from this program's base. The legislature authorized an additional $1 million each year for the MRM program, which is reflected as a new proposal.

MRM

The 1993 legislature provided the following directive to DCHS in HB 2:

> "The department shall coordinate the development of programs for children with severe emotional disturbances. The departments of Family Services, Health and Environmental Sciences, and Social and Rehabilitation Services and the Office of Public Instruction (OPI) and the Board of Crime Control shall fully cooperate and coordinate resources with the department."

In response to this language, the departments completed a memorandum of understanding to form and fund MRM as of July 1, 1993 (fiscal 1994). MRM was to coordinate and provide treatment services to severely emotionally disturbed (SED) youth in the most appropriate, least restrictive environment. During the 1995 biennium, funding for the MRM program was appropriated at the various agencies listed above. The agencies transferred funds to the DCHS Mental Health Division to operate the program. DFS retained the obligation to administer, manage, and fund residential psychiatric treatment services. For the 1997 biennium, both the responsibility to provide residential psychiatric treatment services and the general fund appropriations for the MRM program are in the Mental Health Division at DCHS, which, under SB 345, is transferred to the new Department of Public Health and Human Services.

MRM provides mental health services to youth in three primary areas: 1) residential psychiatric treatment; 2) community services; and 3) utilization review. Residential psychiatric treatment is a medicaid benefit funded 30 percent from general fund and 70 percent from federal funds. Community services are community based treatment services offered as an alternative to the more expensive residential treatment services. Utilization review (UR) is the independent review of a case file to determine if placement in a psychiatric residential treatment center is medically necessary.

The general fund for residential psychiatric treatment was appropriated in DFS while the federal match was appropriated in SRS. In fiscal 1994 DFS transferred $2 million of general fund appropriation authority to DCHS to provide services through the MRM program. These funds could have been used by DFS to provide residential psychiatric treatment services in that agency. Due to a general fund deficit, SRS transferred $1 million of general fund medicaid authority to DFS to cover residential psychiatric treatment costs. DFS did not seek a supplemental appropriation in either year of the 1995 biennium. The $2 million of transferred funds remains in the Mental Health Division to fund MRM in the 1997 biennium. The $1 million expended in DFS has also been added to the Mental Health Division to continue to fund residential psychiatric treatment. This $3 million comprises almost all of the residential psychiatric appropriation shown in Table 15 in each year of the 1997 biennium.

The cost of residential psychiatric treatment services continues to grow each year. The department contends that expansion of community services may help to control this growth. As shown in Table 15, the legislature authorized general fund for the MRM program at the level expended in fiscal 1994 and then authorized $6 million over this amount. The department can spend the $6 million as it determines necessary. However, according to statute, if available funds are not sufficient to provide medical assistance for all eligible persons, the department is authorized to limit medicaid services.

The legislature appropriated $4.9 million more for all youth mental health services than is projected to be spent in the 1995 biennium. Table X also shows that the legislature authorized almost $1.2 million less for residential treatment services in the 1997 biennium than is projected to be spent in the 1995 biennium. However, the department can allocate $1.2 million or more of the $6 million "General MRM Funds" to residential treatment, leaving approximately $4.8 million to expand community services and provide for additional utilization review.

Table 15
Managing Resources Montana
Appropriated - General Fund

MRM Services	Fiscal 1994 Actuals	Fiscal 1995 Estimated	1995 Biennium Expenditures	Fiscal 1996 Appropriated	Fiscal 1997 Appropriated	1997 Biennium Appropriated	1997 Biennium Over (Under) 1995 Biennium
Residential Treatment Services	$3,173,670	$4,343,596	$7,517,266	$3,173,670	$3,173,670	$6,347,340	($1,169,926)
Community Serv./SED Youth	1,772,985	1,610,110	3,383,095	1,772,985	1,772,985	3,545,970	$162,875
UR Residential Treatment	100,340	180,000	280,340	100,340	100,340	200,680	($79,660)
Subtotal	5,046,995	6,133,706	11,180,701	5,046,995	5,046,995	10,093,990	(1,086,711)
General MRM Funds*				3,000,000	3,000,000	6,000,000	$6,000,000
Total MRM Appropriation	$5,046,995	$6,133,706	$11,180,701	$8,046,995	$8,046,995	$16,093,990	$4,913,289

*The legislature allocated these funds to the MRM program but did not allocate the funding by service type. The department may allocate funding by service type as it determines necessary.
NOTE: The Mental Health Program includes $1,729,652 federal funds for the MRM program, remaining federal funds are in the Medical Assistance Program in the Department of Public Health and Human Services.

The legislature authorized language regarding residential placements and the operation of the MRM program. For a complete reading of the language, see the "Language" section of the Mental Health Division.

The legislature also authorized SB 223, which implements mental health managed care. The executive estimates that mental health managed care will be implemented sometime in fiscal 1997. Funding for the MRM program will be merged into the mental health managed care budget. See the "Other Legislation" section of this narrative for more information regarding SB 223.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 Community Services/SED Youth	1.40	$1,000,000	$1,000,000	2.00	$1,000,000	$1,000,000
2 Professional Staff Training	0.00	21,000	21,000	0.00	21,000	21,000
3 Center for the Aged Physician	0.50	69,171	69,171	0.50	69,513	69,513
4 Discontinue C for A Canteen	0.00	0	(2,541)	0.00	0	(2,541)
5 SB223 Managed Care Authority	0.00	0	0	0.00	0	20,773,720
6 Vehicle Lease-Program 30	0.00	(10,765)	(10,765)	0.00	(6,895)	(6,895)
7 Personal Services Reductions	(13.00)	(209,518)	(209,518)	(13.00)	(211,396)	(211,396)
8 Personnal Services Reduction	(2.50)	(260,291)	(260,291)	(2.50)	(260,574)	(260,574)
9 MHSIP Implementation	2.75	0	135,000	2.75	0	135,000
Totals	(10.85)	$609,597	$742,056	(10.25)	$611,648	$21,517,827

New Proposals

1) Community Services/SED Youth - The legislature appropriated $1 million general fund each year to expand services in the MRM program over the fiscal 1994 level. This proposal provides approximately $130,000 to fund the child and adolescent service system manager in the Mental Health Division and a utilization review specialist. The child and adolescent service system manager was previously funded from a time limited federal grant and the utilization review specialist was transferred to the department from the former Department of Family Services. The remaining 94 percent of this proposal is allocated in grants and may be used to provide various community services and residential treatment services to SED youth.

For more details regarding the MRM program, see "MRM General Fund Grants" in the "Present Law" section of the Mental Health Program.

2) Professional Staff Training - The legislature authorized general fund of $21,000 each year to provide training and professional development to mental health professionals at MSH, CFA, and the Helena Mental Health Division office.

3) Center for the Aged Physician - The legislature approved general fund of $69,171 in fiscal 1996 and $69,513 in fiscal 1997 to hire a 0.5 FTE physician to provide medical services to residents. Physician services are currently obtained through a contract. Approximately $45,000 of the annual cost of this position will be offset by medicaid reimbursement.

4) Discontinue CFA Canteen - The legislature reduced the state special revenue revolving fund $2,541 each year due to the closure of the Center for the Aged canteen.

5) SB 223 Managed Care Authority - SB 223 provides for managed care mental health services. Under this bill, the managed care contractor will pay for services provided at MSH and the CFA. The legislature authorized $20,773,720 of state special revenue in fiscal 1997 to provide the department with appropriation authority to receive payments from the managed care contractor. The Governor signed SB 223 on May 10, 1995.

For more information on SB 223 see the "Other Legislation" section for this agency.

6) Program 30 Vehicle Lease - The legislature authorized $5,111 in fiscal 1996 and $10,857 in fiscal 1997 to lease vehicles rather than provide for the purchase of replacement vehicles. This proposal reduces equipment by $15,400 in fiscal 1996 and $16,800 in fiscal 1997 (for vehicle purchases approved in present law), and reduces gasoline and maintenance costs almost $500 each year.

7) Personal Services Reductions - The legislature approved the executive proposal to eliminate 13.0 FTE and reduce personal services by $355,442 in fiscal 1996 and $357,320 in fiscal 1997. These FTE are eliminated due to the transfer of laundry services to the Montana State Prison (MSP) Industries Laundry Program. This proposal also includes a reduction in laundry operating costs and an increase to contract with the MSP Industries Program for laundry services. The net reduction is $209,518 in fiscal 1996 and $211,396 in fiscal 1997.

8) Personal Services Reduction - The legislature authorized the executive proposal to eliminate 2.5 FTE and reduce personal services by $260,291 in fiscal 1996 and $260,574 in fiscal 1997. This reduction is due to: a) elimination of a vacant, non-direct care, 0.5 FTE at MSH; b) elimination of 2.0 FTE radiological technicians at MSH; and c) imposition of vacancy savings of $178,573 each year.

9) MHSIP Implementation - The legislature appropriated $135,000 of federal funds each year to implement the Mental Health Statistical Improvement Program (MHSIP). This proposal provides funding for 2.75 FTE and related operating expenses. MHSIP is a federal program developed to improve mental health data systems.

Language

"The department is directed to develop and purchase mental health services for children and adolescents that minimize the necessity of residential placements and that control the expenditures for residential care."

"All services under the managing resources Montana (MRM) program must be purchased based on an RFP process that provides for effective services at the lowest possible cost. The department shall develop measures of program effectiveness and require contractors selected under the RFP process to provide the information necessary to determine the effectiveness of services. The department may not contract with any service provider that has been found, through a court of law, to have, through fraud or falsification of documents, attempted to receive public funds to which the provider was not entitled."

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PUBLIC HEALTH & HUMAN SERVICES — **CHEMICAL DEPENDENCY**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	55.85	(1.00)	(3.50)	51.35	(1.00)	(3.50)	51.35	51.35
Personal Services	1,776,740	98,499	(104,017)	1,771,222	109,092	(104,545)	1,781,287	3,552,509
Operating Expenses	808,565	173,865	19,812	1,002,242	188,020	25,156	1,021,741	2,023,983
Equipment	32,778	(32,778)	0	0	(22,678)	(10,100)	0	0
Grants	2,334,619	457,138	377,053	3,168,810	456,520	377,469	3,168,608	6,337,418
Debt Service	487	(487)	0	0	(487)	0	0	0
Total Costs	$4,953,189	$696,237	$292,848	$5,942,274	$730,467	$287,980	$5,971,636	$11,913,910
Fund Sources								
State/Other Special	2,616,824	71,161	(122,681)	2,565,304	103,200	(128,083)	2,591,941	5,157,245
Federal Special	2,336,365	625,076	415,529	3,376,970	627,267	416,063	3,379,695	6,756,665
Total Funds	$4,953,189	$696,237	$292,848	$5,942,274	$730,467	$287,980	$5,971,636	$11,913,910

Program Description

The Chemical Dependency Division includes: 1) chemical dependency administration; 2) in-patient alcohol and chemical dependency programs in Butte; and 3) community services. As established in section 53-24-207, MCA, the department is responsible for establishing comprehensive and coordinated programs for the treatment of chemically dependent persons, intoxicated persons, and their families. Those programs include: 1) emergency treatment; 2) inpatient treatment; 3) intermediate treatment; 4) outpatient treatment; and 5) follow-up services.

This division was transferred to this agency from the former Department of Corrections and Human Services as a result of SB 345.

Funding

Funding for the Chemical Dependency Division is approximately 43 percent alcohol tax state special revenue and 57 percent federal funds. Earmarked alcoholic tax is the primary funding source for chemical dependency operations and programs. These funds are derived from taxes on beer, wine, and liquor and are appropriated to DOC and the Department of Justice, as shown in the following table. Any funds not directly appropriated for state programs are statutorily appropriated to counties for county chemical dependency programs. The statutory appropriations are estimated at $800,000 each year of the biennium.

Table 16
Earmarked Alcohol Tax
Fiscal 1992 through Fiscal 1997

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995*	Fiscal 1996**	Fiscal 1997**
Beginning Balance	$836,686	$747,068	$939,014	$747,362	$146,054	$236,266
Revenues						
1. Beer Tax	$806,827	$758,421	$748,966	$766,475	$772,745	$772,745
2. Wine Tax	439,667	398,867	393,237	381,819	368,264	355,173
3. Cost Recovery	136,258	109,266	85,103	85,103	85,103	85,103
4. Liquor License	2,504,497	2,571,812	2,574,566	2,569,006	2,603,532	2,641,416
Total Revenue Available	$3,887,249	$3,838,366	$3,801,872	$3,802,403	$3,829,644	$3,854,437
Disbursements						
1. Chem. Dep. Operations & Audit	$370,957	$324,819	$369,410	$374,780	$326,389	$317,867
2. Total Chemical Dependency	1,885,841	1,801,747	2,283,052	2,617,292	2,440,906	2,476,208
3. Dist. to Counties	1,330,000	1,250,000	999,984	1,000,000	800,000	800,000
4. State Prison/Swan River/WCC	81,182	97,224	59,290	105,227	0	0
5. Pgm 40 Vehicle Lease						(4,874)
6. PS Reductions					(122,681)	(123,209)
7. Pine Hills	26,319	27,000	28,923	30,404	29,523	29,523
8. Justice - Drug Testing	250,469	237,182	265,295	276,008	265,295	265,295
Total Disbursements	$3,944,768	$3,737,972	$4,005,954	$4,403,711	$3,739,432	$3,760,810
Adjustments	(32,099)	91,552	12,430			
Ending Balance	$747,068	$939,014	$747,362	$146,054	$236,266	$329,893

*Fiscal 1995 appropriated or estimated
**Fiscal 1996 and fiscal 1997 show final legislative action, excluding pay plan

Federal funds consist of: 1) categorical grants of $32,000 each year; and 2) Alcohol and Drug Abuse Division (ADAD) block grant funds of $3,344,970 in fiscal 1996 and $3,347,695 in fiscal 1997.

The following table shows the FTE and funding for the Chemical Dependency Program.

Table 17
Chemical Dependency Division
FTE and Funding by Program

	Fiscal 1996					Fiscal 1997				
Program	FTE	Gen. Fund	State Fund	Fed/Other	Total	FTE	Gen. Fund	State Fund	Fed/Other	Total
Operations	8.00		$247,079	$120,984	$368,063	8.00		$243,816	$123,773	$367,589
MCDC	46.85		2,440,906	36,642	2,477,548	46.85		2,476,208	36,661	2,512,869
Community Services/After Care	0.00			2,842,291	2,842,291	0.00			2,841,792	2,841,792
CD Community Trtmt. - Offenders	0.00			377,053	377,053	0.00			377,469	377,469
Program 40 Vehicle Lease	0.00				0	0.00		(4,874)		(4,874)
Personal Services Reduction	-3.50		(122,681)		(122,681)	-3.50		(123,209)		(123,209)
Total Funding	51.35	$0	$2,565,304	$3,376,970	$5,942,274	51.35	$0	$2,591,941	$3,379,695	$5,971,636

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$98,499	$109,092
2 Inflation/Deflation	21,703	35,858
3 Fixed Costs	(325)	(325)
Other Present Law Adjustments		
4 Other Services	$152,000	$152,000
5 Equipment	(32,778)	(22,678)
6 Grants	457,138	456,520
Total Present Law Adjustments	$696,237	$730,467

Present Law Adjustments

1) Personal Services - The legislature funded all personal services increases due to annualization of the pay plan and other adjustments, as included in the Executive Budget. FTE is reduced due to the elimination of 1.0 FTE for services that will be obtained through contracted services.

4) Other Services - The legislature authorized increases to fund: 1) a contract for rent and food service for the Montana Chemical Dependency Center; and 2) a contract for data collection systems.

5) Equipment - The legislature approved equipment reductions as requested by the executive. The reductions still allow $10,100 in fiscal 1997 for the Chemical Dependency Program to purchase a vehicle.

6) Grants - The legislature authorized increases for federal grants due to increased availability of federal funds. These moneys are granted to state approved chemical dependency programs for substance abuse prevention and treatment. This increase is approximately $155,000 higher per year than originally requested in the Executive Budget.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 After Care Coordinator			$38,476			$38,594
2 Vehicle Lease-Program 40						(4,874)
3 CD Community Treatment			377,053			377,469
4 Personal Services Reductions	(3.50)		(122,681)	(3.50)		(123,209)
Totals	(3.50)		$292,848	(3.50)		$287,980

New Proposals

1) After Care Coordinator - The legislature authorized federal block grant funds of $38,476 in fiscal 1996 and $38,594 in fiscal 1997 to contract for an after care chemical dependency counselor/coordinator.

2) Program 40 Vehicle Lease - The legislature provides $5,410 in fiscal 1997 to lease one vehicle. This proposal is part of an overall executive plan to lease vehicles from the Department of Transportation motor pool rather than provide funds for individual vehicle purchases. This proposal includes minor negative adjustments to gasoline and maintenance, as these services are included in the lease. Additionally, this proposal eliminates $10,100 provided in present law equipment to purchase a vehicle. Funding for this proposal is alcohol tax.

3) CD Community Treatment - The legislature approved an executive proposal for $377,053 in fiscal 1996 and $377,469 in fiscal 1997 to provide chemical dependency treatment to offenders in the community. The Chemical Dependency Division coordinates services and provides federal funds to state approved chemical dependency programs. These chemical dependency programs then provide chemical dependency treatment services to the community corrections population. The Executive Budget funded this proposal with alcohol tax. However, since federal block grant funds are higher than anticipated, the legislature funds this proposal with federal funds.

4) Personal Services Reductions - The legislature authorized decreases of $122,681 in fiscal 1996 and $123,209 in fiscal 1997. This reduction results from the elimination of the detoxification unit at MCDC and includes 3.5 FTE, approximately $104,000 each year in personal services, and $18,664 each year in operating expenses. The MCDC detoxification unit will be eliminated but detoxification treatment will continue to be provided to clients that enter the chemical dependency program. People admitted to MCDC for one or two nights will not receive these services.

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PUBLIC HEALTH & HUMAN SERVICES Program Summary Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
SPECIAL SERVICES								
FTE	547.32	0.00	5.05	552.37	0.00	(17.25)	530.07	530.07
Personal Services	15,666,748	856,571	15,903	16,539,222	962,691	(676,530)	15,952,909	32,492,131
Operating Expenses	2,647,589	293,252	9,899	2,950,740	254,539	(23,478)	2,878,650	5,829,390
Equipment	131,308	56,377	(16,400)	171,285	(33,688)	(17,400)	80,220	251,505
Transfers	100,000	(100,000)	0	0	(100,000)	0	0	0
Total Costs	$18,545,645	$1,106,200	$9,402	$19,661,247	$1,083,542	($717,408)	$18,911,779	$38,573,026
Fund Sources								
General Fund	15,308,298	774,816	(103,923)	15,979,191	820,433	(815,062)	15,313,669	31,292,860
State/Other Special	2,160,766	134,235	75,549	2,370,550	45,626	65,101	2,271,493	4,642,043
Federal Special	1,076,581	197,149	37,776	1,311,506	217,483	32,553	1,326,617	2,638,123
Total Funds	$18,545,645	$1,106,200	$9,402	$19,661,247	$1,083,542	($717,408)	$18,911,779	$38,573,026

Program Description

The Special Services division includes the administration program, developmental disabilities services at MDC and Eastmont, and veteran's services at MVH and EMVH. The administration program oversees the developmental disability system and the veteran's homes. The MDC provides treatment and habilitation for profoundly mentally retarded individuals. Title 53, chapter 20, MCA, details procedures and basic guidelines for care, treatment, and training. Eastmont, authorized in section 53-20-502, MCA as an extension of the MDC, provides intermediate nursing care, treatment, and education for mentally retarded individuals. The center's goal is to maintain and improve individual skills so that residents can function in the community. The MVH contains 60 domiciliary and 90 nursing care beds. Spouses of eligible veterans are admitted when space is available in the domiciliary unit. The EMVH is an 80-bed nursing facility that will be operated under contract between the Glendive Medical Center and the state. Medical center staff took over the facility in April 1995 and patients will be admitted starting in July 1995.

Funding

The Special Services Program is funded primarily with general fund (81 percent). State special revenues consist of the following: 1) cigarette tax of $13,992 in fiscal 1996 and $16,510 in fiscal 1997 for operations; 2) $39,414 per year of vocational training funds and donations at MDC and EHSC; 3) private insurance/medicaid reimbursement at MVH of $1,237,207 in fiscal 1996 and $1,258,619 in fiscal 1997; 4) cigarette tax at MVH of $856,536 in fiscal 1996 and $859,893 in fiscal 1997; 5) MVH interest and income revenue from land leases of $5,000 per year; 6) cigarette tax of $200,401 in fiscal 1996 and $74,057 in fiscal 1997 for EMVH; and 7) $18,000 each year for the canteen at MVH.

Federal funds are: 1) Veterans' Administration reimbursement of $1,306,012 in fiscal 1996 and $1,321,123 in fiscal 1997; and 2) miscellaneous federal grants of $5,494 per year at MDC.

The legislature authorized personal services/FTE reductions and a proposal to lease vehicles rather than purchase vehicles. These proposals reduced general fund by $160,371 in fiscal 1996 and $870,686 in fiscal 1997. Table 18 shows the FTE and funding for each of the divisions in the Special Services Program.

Table 18
Special Services
FTE and Funding by Program

Program	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 State Fund	Fiscal 1996 Fed/Other	Fiscal 1996 Total	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 State Fund	Fiscal 1997 Fed/Other	Fiscal 1997 Total
Operations	2.00	$151,758	$13,992	$7,208	$172,958	2.00	$165,760	$16,510	$8,505	$190,775
MDC	353.31	12,441,129	39,014	5,494	12,485,637	353.31	12,452,913	39,014	5,494	12,497,421
EHSC	107.37	3,546,675	400		3,547,075	107.37	3,565,682	400		3,566,082
MVH	90.09		2,116,743	1,298,804	3,415,547	90.09		2,141,512	1,312,618	3,454,130
EMVH	1.00		200,401		200,401	1.00		74,057		74,057
Vehicle Lease	0.00	(27,501)			(27,501)		(10,458)			(10,458)
Personal Services Reductions	0.00				0	-5.00	(32,690)			(32,690)
FTE Target Reduction	0.00				0	-17.30	(694,592)			(694,592)
Personal Services Reductions	-1.40	(132,870)			(132,870)	-1.40	(132,946)			(132,946)
Total	552.37	$15,979,191	$2,370,550	$1,311,506	$19,551,247	530.07	$15,313,659	$2,271,493	$1,326,617	$18,911,779

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$856,571	$962,691
2 Inflation/Deflation	115,494	187,303
3 Fixed Costs	(57)	(57)
Other Present Law Adjustments		
4 Other Services	$79,903	($57,916)
5 Utilities	22,920	23,130
6 Repair & Maintenance	33,225	43,225
7 Equipment	56,377	(33,688)
8 Other	(58,233)	(41,146)
Total Present Law Adjustments	$1,106,200	$1,083,542

Present Law Adjustments

1) Personal Services - The legislature funded all personal services increases due to annualization of the pay plan and other adjustments, as included in the Executive Budget.

4) Other Services - The legislature approved reductions as requested in the Executive Budget. These reductions are due to a decrease in the cost of prescriptions and the elimination of contracts for various services. These services are either provided elsewhere in present law or are authorized in new proposals.

Additionally, the legislature authorized $136,464 of cigarette tax revenue to provide a start-up subsidy to the Glendive Medical Center (GMC). The department contracts with the GMC to operate the Eastern Montana Veterans' Home (EMVH). Provision of this subsidy will eliminate the current DCHS/GMC contract requirement that 37 eligible individuals requesting admission be on a waiting list before GMC has to begin operating the facility.

5) Utilities - The legislature authorized increases for utilities that are the net result of: a) a decrease in the cost of natural gas used at MDC; b) use of the Boulder city water system instead of maintaining private wells at MDC; and c) garbage transportation costs due to federal solid waste regulations.

6) Repair and Maintenance - The legislature approved adjustments for maintenance contracts for computers, printers, and maintenance on the Eastern Montana Veterans' Home as required under the management contract with the GMC.

7) Equipment - The legislature authorized adjustments to allow the department to purchase computer software and desks, a microfiche reader/printer, physical therapy equipment, a postage machine, furniture, miscellaneous equipment and replacement vehicles.

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New Proposals

New Proposal	Fiscal 1996 FTE	Fiscal 1996 General Fund	Fiscal 1996 Total Funds	Fiscal 1997 FTE	Fiscal 1997 General Fund	Fiscal 1997 Total Funds
1 MVH-Additional Nurse Aides	4.20		$97,325	4.20		$97,654
2 MVH-OBRA Software			16,000			
3 EHSC Vocational Program	2.25	56,448	56,448	2.25	55,624	55,624
4 Vehicle Lease-Program 50		(27,501)	(27,501)		(10,458)	(10,458)
5 Personal Services Reductions				(5.00)	(32,690)	(32,690)
6 FTE Target Reduction				(17.30)	(694,592)	(694,592)
7 Personal Services Reductions	(1.40)	(132,870)	(132,870)	(1.40)	(132,946)	(132,946)
Totals	5.05	($103,923)	$9,402	(17.25)	($815,062)	($717,408)

New Proposals

1) MVH - Additional Nurse Aides - The legislature approved an executive request to add $97,325 in fiscal 1996 and $97,654 in fiscal 1997 for 4.2 FTE certified nurse aides at MVH. This proposal adds one certified nurse aide per shift and is funded with one-third cigarette tax revenue, one-third private insurance/medicaid reimbursement, and one-third federal veterans reimbursement.

2) MVH - OBRA Software - The legislature provides $16,000 in fiscal 1996 to purchase computer software to automate patient data. With an automated resident data system, MVH staff will have access to necessary data and a method to generate required reports. This proposal is funded with cigarette tax revenue (67 percent) and federal veterans' assistance reimbursement (33 percent).

3) EHSC Vocational Program - The legislature approved this proposal to add 2.25 FTE resident care aides and general fund of $56,448 in fiscal 1996 and $55,624 in fiscal 1997 to implement a vocational program for residents at EHSC. This program is required to maintain medicaid certification. One FTE and approximately $22,900 each year is contingent on EHSC remaining open at current capacity.

4) Program 50 Vehicle Lease - The legislature provides $5,845 in fiscal 1996 and $8,462 in fiscal 1997 to lease vehicles. This lease request is part of an executive initiative at Department of Transportation to lease vehicles to agencies from the state motor pool rather than provide for the purchase of replacement vehicles. This proposal reduces gasoline and maintenance costs $946 in fiscal 1996 and $1,520 in fiscal 1997, and eliminates equipment authority of $32,400 in fiscal 1996 and $17,400 in fiscal 1997.

5) Personal Services Reductions (Laundry Transfer) - The legislature approved an executive proposal to eliminate 5.0 FTE and reduce personal services by $133,770 in fiscal 1997. These FTE are eliminated in the Special Services Program because laundry services are transferred to the MSP Industries Laundry Program in the Corrections Division. This proposal also includes a reduction in laundry operating costs and an increase to contract with the MSP Industries Program for laundry services. The net result is a general fund reduction of $32,690 in fiscal 1997.

6) FTE Target Reduction (MDC Redesign) - The legislature authorized an executive proposal to eliminate 17.30 FTE, $559,092 in personal services and $135,500 in operating costs in fiscal 1997. This reduction results from campus consolidation construction originally authorized by the 1991 legislature. By physically redesigning the MDC campus and relocating some residents to community group homes, the FTE can be eliminated.

7) Personal Services Reductions (Vacant Positions and Vacancy Savings) - The legislature approved the elimination of 1.4 FTE and $22,101 in fiscal year 1996 and $22,177 in fiscal 1997. These FTE are vacant administrative support positions at MDC. The legislature also approved vacancy savings of $110,769 each year.

Language

"If the Eastmont Human Services Center does not remain in operation at current capacity, item (Special Services) is decreased by $22,865 in general fund money in fiscal year 1996 and $22,944 in general fund money in fiscal year 1997 to fund 1.0 FTE in the Eastmont vocational program."

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PUBLIC HEALTH & HUMAN SERVICES — **DIRECTOR'S OFFICE/HEALTH**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	3,350	0	0	3,350	0	0	3,350	6,700
Operating Expenses	19,553	380	0	19,933	381	0	19,934	39,867
Total Costs	$22,903	$380	$0	$23,283	$381	$0	$23,284	$46,567
Fund Sources								
General Fund	22,903	380	0	23,283	381	0	23,284	46,567
Total Funds	$22,903	$380	$0	$23,283	$381	$0	$23,284	$46,567

Program Description

The Director's Office of the former Department of Health and Environmental Services was split and moved to the new Departments of Environmental Quality and PHHS. PHHS was allocated 6.0 FTE that are supported with proprietary funds (off budget). General fund authority for the recently eliminated Board of Health and Environmental Sciences was also assigned to this department.

Reorganization

As the result of the passage of Senate Bills 234 and 345, certain functions of the Director's Office and the Central Services Division in the former DHES were transferred to this agency. This program reflects only a small amount of general fund that previously supported the Board of Health and Environmental Sciences. Proprietary funding of $346,272 in fiscal 1996 and $348,019 in fiscal 1997 (including 6.0 FTE) was also transferred, but is not reflected in the program or agency tables because it were taken off budget to comply with HB 576, which allows certain proprietary funds to be spent without a legislative appropriation. The amount of proprietary funds appropriated prior to the passage of HB 576 reflected a personal services reduction to fund the pay plan.

Similarly, 10.0 FTE and certain functions of the Central Services Division of the former DHES were transferred to this agency, but that program is not reflected in the budget because it is supported totally with proprietary funds of $502,598 in fiscal 1996 and $489,644 in fiscal 1997. Remaining managerial and administrative support functions of the former DHES were transferred to the new Department of Environmental Quality.

Funding

This program is funded with general fund that previously supported the Board of Health and Environmental Sciences. SB 345 eliminated the board and it is assumed that this general fund will be combined with other funding sources to provide overall management or administrative services for the new agency. All other activities in this program are funded with proprietary funds that were taken off budget pursuant to HB 576.

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Inflation/Deflation	2	3
Other Present Law Adjustments		
2 Indirect Costs	378	378
Total Present Law Adjustments	$380	$381

Present Law Adjustments

2) Indirect Costs - The executive proposed indirect cost increases were accepted. Indirect costs pay for management and administrative functions that are supported with proprietary funds.

6901 46 00000

PUBLIC HEALTH & HUMAN SERVICES **HEALTH SERVICES DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	39.47	1.00	1.00	41.47	1.00	1.00	41.47	41.47
Personal Services	1,231,519	137,264	10,966	1,379,749	143,892	10,997	1,386,408	2,766,157
Operating Expenses	987,107	818,461	866,742	2,672,310	687,406	180,155	1,854,668	4,526,978
Equipment	7,082	0	24,093	31,175	0	0	7,082	38,257
Grants	393,352	67,698	0	461,050	67,698	0	461,050	922,100
Total Costs	$2,619,060	$1,023,423	$901,801	$4,544,284	$898,996	$191,152	$3,709,208	$8,253,492
Fund Sources								
General Fund	1,234,785	301,204	369,959	1,905,948	258,464	(22,597)	1,470,652	3,376,600
State/Other Special	651,399	89,412	299,000	1,039,811	93,288	(1,000)	743,687	1,783,498
Federal Special	732,876	632,807	232,842	1,598,525	547,244	214,749	1,494,869	3,093,394
Total Funds	$2,619,060	$1,023,423	$901,801	$4,544,284	$898,996	$191,152	$3,709,208	$8,253,492

Program Description

The Health Services Division is responsible for improving and preserving the health and lives of Montana residents. This program consists of five functional units: 1) Division Administration, which is responsible for overall division operations, management of division resources, and assistance with formulation and development of department policy; 2) the Emergency Medical Services Bureau, which is responsible for planning and implementation of a statewide emergency medical services system and managing the Montana Poison Control System; 3) the Health Planning Bureau, which produces the state health plans and planning research, administers the Certificate of Need program, and collects, maintains, and distributes health facility data; 4) the Food and Consumer Safety Bureau, which is responsible for ensuring that healthful conditions exist and are maintained in food serving and processing establishments, hotels, motels and trailer parks; and for providing training and support services to local health agencies and sanitarians; and 5) the Vital Records and Statistics Bureau, which is responsible for birth and death certificates and health statistics.

Funding

This program is funded with general fund, state special, and federal revenues. Table 19 shows each of the components of the Health Services Division and related funding.

State special revenues are from fees. Federal block grants are discussed in the funding sections for the Family/MCH and Preventive Health Bureaus. Federal funds supporting vital records and statistics functions represent contracts for the provision of health data and statistics. A significant portion of federal funds supporting emergency medical services is available because a portion of highway project money is required to be diverted to safety projects due to Montana's refusal to require motorcycle helmets.

Table 19
Health Services Division Funding

Program/Funding Source	FY 96	FY 97
PRESENT LAW		
Division Administration		
General Fund	$204,516	$204,717
Health Planning Fees	25,727	25,766
Fed. Preventive Health Block Grant	38,453	39,468
Fed. Maternal & Child Health Block Grant	30,073	30,059
Emergency Medical Services		
General Fund	$347,174	$344,430
EMT Certification Fees	42,922	43,399
Fed. Preventive Health Block Grant	223,736	224,568
Fed. Trauma Care & Planning Grant	245,401	244,401
Fed. EMS Highway Traffic Safety	400,002	300,000
Food & Consumer Safety		
General Fund	$424,492	$394,391
Food & Consumer Safety Fees	28,381	28,308
Food/Lodging License Fees	482,669	482,742
Vital Records & Statistics		
General Fund	$315,705	$302,243
Vital Statistics Fees	161,112	164,472
Fed. Public Health Contracts	15,000	15,000
Fed. Vital Statistics Contracts	111,279	124,476
Medical Unit		
General Fund	$44,102	$47,468
Fed. Preventive Health Block Grant	80,356	80,628
Fed. Maternal & Child Health Block Grant	22,872	22,981
Fed. Breast & Cervical Cancer Grant	10,000	10,000
Fed. Diabetes Control Grant	10,000	10,000
Primary Care		
Federal Primary Care Grant	178,511	178,539
End Stage Renal Disease		
General Fund	$100,000	$100,000
Rural Physician's Residency		
General Fund	$100,000	$100,000
Total Present Law	$3,642,483	$3,518,056
NEW PROPOSALS		
General Fund	$369,959	($22,597)
State Special Revenues	299,000	(1,000)
Federal Funds	232,842	214,749
Total New Proposals	$901,801	$191,152
Total Funding	$4,544,284	$3,709,208

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$88,564	$94,078
2 Inflation/Deflation	15,176	18,153
3 Fixed Costs	10,996	12,535
Other Present Law Adjustments		
4 EMS Consulting and Professional Servic	$336,933	$236,933
5 EMS Contracts with Non-Profits	115,341	115,232
6 Rural Physicians Residency	100,000	100,000
7 F&CS Bureau Data System Conversion	30,000	
8 Primary Care Coop Agreement	42,350	42,350
9 Indirect Costs	176,814	178,010
10 Grants to Counties	67,698	67,698
11 Certificate of Need	86,753	87,015
12 General Fund Reductions	(47,202)	(53,008)
Total Present Law Adjustments	$1,023,423	$898,996

Present Law Adjustments

1) Personal Services - The legislature accepted the personal services adjustments proposed by the executive except that the amounts supported by general fund were removed. See the "General Funds Reduction" below for more information. The increase in FTE is due to the transfer of 1.0 FTE from the Preventive Health Bureau.

4) EMS Consulting & Professional Services - The executive proposal for increases of $336,933 in fiscal 1996 and $236,933 in fiscal 1997 for emergency medical services (EMS) projects was accepted. The majority of the increases are related to design and implementation of a statewide trauma system. Th e majority of the increases are funded with federal highway traffic safety, and trauma care and planning funds. The highway funds are available through a required diversion from DOT because Montana does not have a motorcycle helmet law.

5) EMS Contracts With Non-Profits - The executive proposed increases of $115,341 in fiscal 1996 and $115,232 in fiscal 1997 were accepted. The funds will be used for: development of computerized training for nurses, emergency medical technicians, and first responders; provision of poison control information; film library services; and management training for ambulance services.

6) Rural Physicians Residency - The legislature accepted the executive proposal for $100,000 in general fund each year to help support the Rural Physicians Residency (RPR) program, which is a non-profit effort to establish a residency program in Montana with the ultimate goal of increasing the number of physicians practicing in rural Montana. Actual fiscal 1994 expenditures of $100,000 were not included in the base.

7) F&CS Bureau Data System Conversion - The executive proposal for $30,000 in fiscal 1996 for the purpose of converting a Food and Consumer Safety (F&CS) Bureau data base from a mainframe system to a personal computer system was accepted. The mainframe is no longer supported by the Department of Administration.

8) Primary Care Cooperative Agreement - The legislature accepted an executive proposal for an increase of $42,350 annually for duties associated with the Primary Care Cooperative Agreement (PCCA). PCCA is 100 percent funded with a specific grant from the US Department of Health and Human Services.

9) Indirect Costs - The executive proposed indirect cost increases were accepted.

10) Grants to Counties - The legislature accepted an executive proposal to increase grants to counties by $67,698 annually. The grants are made to local boards of health for food establishment inspections, and are funded with food and lodging license fees.

11) Certificate of Need (CON) - The legislature's decision to not fund the HCA resulted in no budget for the CON program. Therefore, the legislature increased the funding in the Health Services Division by $86,753 in fiscal 1996 and $87,015 in fiscal 1997 for CON, including personal services for 2.0 FTE.

12) General Fund Reductions - The legislature reduced general fund by $47,202 in fiscal 1996 and $53,008 in fiscal 1997 to offset the amounts included for personal services increases, inflation/deflation, and fixed cost increases. Vacancy savings of $25,046 in fiscal 1996 and $24,194 in fiscal 1997 were included and operating expenses were reduced by $22,156 in fiscal 1996 and $28,814 in fiscal 1997.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Health Statistics	2.00		$100,000	2.00		$100,000
2 Tumor Registry			138,342			120,249
3 Inspect State Facilities			37,500			37,500
4 Certificate Of Need		92,246	92,246			
5 Local Health Care Providers		300,000	600,000			
6 Personal Services Reductions	(1.00)	(22,287)	(66,287)	(1.00)	(22,597)	(66,597)
Totals	1.00	$369,959	$901,801	1.00	($22,597)	$191,152

New Proposals

1) Health Statistics - The legislature accepted an executive new proposal to add 2.0 FTE and expenditures of $100,000 each year to expand the capability of the computerized vital statistics information system so that it will work with other public health data systems. Funding is split evenly between two federal sources -- the Preventive Health Block Grant and the MCH Block Grant.

2) Tumor Registry - The legislature accepted an executive new proposal adding approximately $260,000 in federal funds during the biennium to enhance the existing tumor registry program. The enhancement will: a) automate local hospital registries and provide technical assistance to hospital staff; b) establish electronic communication between local hospitals/treatment centers and the PHHS tumor registry; c) use statewide expertise to develop a clear picture of cancer in Montana; and d) make statewide cancer information available in order to improve cancer health planning, education, diagnosis, and treatment.

3) Inspect State Facilities - The legislature accepted an executive proposal to spend $37,500 each year to conduct inspections of processed food companies participating in interstate commerce. The department will be conducting the inspections on behalf of the federal Food and Drug Administration, which will pay for the inspections. In accepting this new proposal, the legislature did not include the 0.50 FTE requested by the executive.

4) Certificate of Need - The legislature approved a $92,246 general fund biennial appropriation to implement the provisions of SB 416, which revises the Certificate of Need process. Language is included in HB 2 stating the appropriation is contingent on the passage and approval of SB 416.

5) Local Health Care Providers - The legislature approved biennial appropriations of $300,000 general fund and $300,000 state special revenue to help local health agencies obtain medicaid reimbursement for services provided to low income Montanans. The general fund money will pay the state match for administrative costs to contract for assistance. Local health agencies will provide the state special revenue to fund the 30 percent state match for medicaid benefit costs. Federal matching funds for administrative costs of $300,000 and federal medicaid benefit match of $1,000,000 are included in the Medicaid program budget. Language in HB 2 requires that the general fund

be used only to assist local agencies in obtaining medicaid reimbursement and to assist communities in implementing local health care services.

6) Personal Services Reductions - The legislature accepted the dollar amounts of the personal services reductions proposed by the executive. However, vacancy savings amounts were approved as reductions in operating expenses. This new proposal eliminates 1.0 FTE public health sanitary consultant, resulting in personal services reductions of $51,598 in fiscal 1996 and $51,786 in fiscal 1997. Operating expenses are reduced by $14,689 in fiscal 1996 and $14,811 in fiscal 1997 in place of vacancy savings proposed by the executive.

Language

"The funds in item [Tumor Registry] are appropriated with the requirement that the development and operation of the tumor registry must be coordinated with all other medical data bases operated by the state so that the sharing of information is facilitated and the duplication of effort is reduced."

"General fund money in item [Local Health Care Providers] may be used only to contract for assistance to local health care providers in obtaining medicaid reimbursement and to assist communities in implementing local health care services."

"The funds in item [Certificate of Need] are contingent on passage and approval of Senate Bill No. 416." (SB 416 was passed and approved.)

6901 47 00000

PUBLIC HEALTH & HUMAN SERVICES — FAMILY/MCH BUREAU

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	30.50	0.00	0.50	31.00	0.00	0.50	31.00	31.00
Personal Services	1,046,191	15,722	10,810	1,072,723	20,866	10,846	1,077,903	2,150,626
Operating Expenses	3,438,671	(748,762)	343,016	3,032,925	(759,476)	341,735	3,020,930	6,053,855
Equipment	120,007	0	0	120,007	0	0	120,007	240,014
Grants	11,028,012	1,819,710	0	12,847,722	2,885,340	0	13,913,352	26,761,074
Benefits and Claims	6,913,950	2,059,525	0	8,973,475	2,059,525	0	8,973,475	17,946,950
Total Costs	$22,546,831	$3,146,195	$353,826	$26,046,852	$4,206,255	$352,581	$27,105,667	$53,152,519
Fund Sources								
General Fund	922,086	112,736	37,134	1,071,956	112,155	36,334	1,070,575	2,142,531
Federal Special	21,624,745	3,033,459	316,692	24,974,896	4,094,100	316,247	26,035,092	51,009,988
Total Funds	$22,546,831	$3,146,195	$353,826	$26,046,852	$4,206,255	$352,581	$27,105,667	$53,152,519

Program Description

The Family/Maternal and Child Health Bureau consists of the following programs: 1) Nutritional Services, which provides nutritional foods, education, and assessment to low income pregnant women, infants, and children through the Women, Infants, and Children (WIC) Program, and nutritional meals to children enrolled in participating child care facilities through the Child Nutrition program; 2) Family Planning, which provides quality comprehensive family planning services to women who are at risk of unwanted pregnancy; 3) Children's Special Health Services, which identifies children, age birth to 18, with special health care needs and provides for medical evaluation, treatment, and management of certain specified handicapping conditions; and 4) Perinatal Services, which includes the MIAMI Program and improves pregnancy outcome by offering community and hospital-based services to women prior to conception, throughout their pregnancy, and for their infants during the first year of life. This bureau also administers the Maternal and Child Health Block Grant and newborn metabolic screening.

Funding

This program is funded with general fund and federal funds. Table 20 shows each of the components of the Family/MCH Bureau and related funding. The maternal and child health block grant requires a $3 match of state or local funds for every $4 spent from the grant. Funds are to be spent in three major areas: 1) services to mothers and infants to age one; 2) at least 30 percent for services to children and adolescents; and 3) at least 30 percent for services to children with special health care needs. No more than 10 percent can be used for administrative purposes.

Table 20
Family/MCH Bureau Funding

Program/Funding Source	FY 96	FY 97
PRESENT LAW		
Family Planning		
General Fund	$26,048	$26,048
Federal Family Planning Grant	1,041,044	1,042,002
Federal Preventive Health Block Grant	205,567	205,567
Federal Maternal & Child Health Block Grant	29,081	29,239
Genetics		
General Fund	$549,042	$549,042
MIAMI/Perinatal		
General Fund	$459,732	$459,151
Federal Maternal & Child Health Block Grant	189,452	189,745
Nutrition Programs		
Federal WIC Grant	$11,918,525	$11,927,587
Federal Child Nutrition Grant	9,138,483	10,208,770
County Public Health Support		
Federal Maternal & Child Health Block Grant	$809,101	$809,101
County Data Development		
Federal Data Utilization Grant	$52,894	$30,109
Bureau Administration		
Federal Maternal & Child Health Block Grant	$383,824	$385,026
Children's Special Health Services		
Federal Maternal & Child Health Block Grant	$890,233	$891,699
Total Present Law	$25,693,026	$26,753,086
NEW PROPOSALS		
General Fund	$37,134	$36,334
Federal Funds	316,692	316,247
Total New Proposals	$353,826	$352,581
Total Funding	$26,046,852	$27,105,667

Present Law Adjustments		
Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$15,722	$20,866
2 Inflation/Deflation	33,297	47,361
3 Fixed Costs	54,824	69,009
Other Present Law Adjustments		
4 Nutrition Program Consulting	($990,761)	($990,761)
5 MIAMI	85,370	84,212
6 Indirect Costs	120,897	121,624
7 County Data Development	(30,043)	(64,814)
8 Family Planning Grants	32,622	32,622
9 CACFP Grants	1,801,783	2,867,413
10 WIC Food Benefits to Individuals	2,059,525	2,059,525
11 Voluntary Genetics	14,392	14,392
12 Other	(51,433)	(55,194)
Total Present Law Adjustments	$3,146,195	$4,206,255

Present Law Adjustments

1) Personal Services - Fiscal 1995 pay plan increases are the primary reason for the minor increase.

4) Nutrition Program Consulting - The executive proposal to reflect a $990,761 annual decrease in consulting services was accepted. Nutrition program consultant services are requested at $5,880 annually for training and program evaluation.

5) MIAMI - The legislature increased general fund expenditures by $85,370 in fiscal 1996 and $84,21 2 in fiscal 1997 to restore a portion of personal services reductions taken against the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program expansion in fiscal 1994. HB 2 restricts the use of $414,000 each year in general fund so that it may only be used for MIAMI.

6) Indirect Costs - The executive proposal for indirect cost increases was accepted by the legislature.

7) County Data Development - This adjustment contains decreases of $30,043 in fiscal 1996 and $64,823 in fiscal 1997 to reflect the completion of a federally funded county data development project during fiscal 1997.

8) & 9) Family Planning and CACFP Grants - The legislature accepted these proposals as requested by the executive. Family planning grants to local agencies are increased by $32,622 annually. Child and Adult Food Program grants to day care, head start and others increase by $1,801,783 in fiscal 1996 and $2,867,413 in fiscal 1997.

10) WIC Food Benefits to Individuals - The executive proposal to increase Women, Infants, and Children (WIC) food benefits and claims by $2,059,525 annually was accepted.

11) Voluntary Genetics - The legislature increased the appropriation for the Voluntary Statewide Genetics program from $534,650 each year to $549,042 each year. Charges imposed on health insurance plans generated revenues averaging $549,042 during fiscal years 1993 and 1994.

New Proposals

1) Lead Abatement Expansion - The legislature accepted this new proposal as proposed by the executive, which passes through federal Center for Disease Control grant funds of $300,000 annually to the Butte-Silver Bow Health Department. Silver Bow County contracts some of the funds to Cascade and Missoula counties. The funds will be used for lead abatement in those and other surrounding counties.

2) Child Nutrition Administrative Support - The legislature accepted this executive new proposal, authorizing $19,788 in fiscal 1996 and $19,787 in fiscal 1997. The federal funds will be used to add a 0.50 FTE clerical support position in the Child Nutrition program to process increased volumes of reimbursement claims and federal reports, and to answer procedural questions. The volume of reimbursements has increased significantly over the last several years in this program.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Lead Abatement Expansion			$300,000			$300,000
2 Child Nutrition Admin Support	0.50		19,788	0.50		19,787
3 Family Planning Health Educati			50,000			50,000
4 SB292 Right To Know Inform.		37,134	37,134		36,334	36,334
5 Personal Services Reductions			(53,096)			(53,540)
Totals	0.50	$37,134	$353,826	0.50	$36,334	$352,581

3) Family Planning Health Education - The legislature accepted the dollar amounts of this executive new proposal, without the additional 1.0 FTE requested by the executive. This new proposal will use $50,000 each year of federal funds for contracted services to provide statewide coordination and supervision of family planning activities.

4) SB 292 - Right to Know Information - The legislature appropriated general fund of $37,134 in fiscal 1996 and $36,334 in fiscal 1997 to pay for publication and dissemination of information to women considering an abortion and to physicians and other health care professionals.

5) Personal Services Reductions - The executive proposed vacancy savings of $53,096 in fiscal 1996 and $53,540 in fiscal 1997 were accepted as reductions in operating expenses.

Language

"Item [Right to Know Information] is contingent on passage and approval of Senate Bill No. 292." (SB 292 was passed and approved.)

6901 48 00000

PUBLIC HEALTH & HUMAN SERVICES **PREVENTIVE HEALTH BUREAU**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	27.50	(1.00)	6.00	32.50	(1.00)	6.00	32.50	32.50
Personal Services	715,464	155,838	193,720	1,065,022	160,218	194,486	1,070,168	2,135,190
Operating Expenses	1,214,060	708,241	1,642,159	3,564,460	737,725	1,685,214	3,636,999	7,201,459
Equipment	6,177	0	0	6,177	0	0	6,177	12,354
Grants	16,759	(16,759)	0	0	(16,759)	0	0	0
Total Costs	$1,952,460	$847,320	$1,835,879	$4,635,659	$881,184	$1,879,700	$4,713,344	$9,349,003
Fund Sources								
General Fund	91,890	18,110	50,000	160,000	20,110	0	112,000	272,000
State/Other Special	17,080	(17,080)	0	0	(17,080)	0	0	0
Federal Special	1,843,490	846,290	1,785,879	4,475,659	878,154	1,879,700	4,601,344	9,077,003
Total Funds	$1,952,460	$847,320	$1,835,879	$4,635,659	$881,184	$1,879,700	$4,713,344	$9,349,003

Program Description

The Preventive Health Services Bureau, which detects and monitors a variety of health problems and risk factors in Montana, is comprised of the following programs: 1) Bureau Administration; 2) Chronic Disease Prevention and Health Promotion, which lowers the risk of chronic disease morbidity, mortality, and disability through data collection, education, and training; 3) Communicable Diseases, which provides surveillance and outbreak control of reportable infectious diseases and includes the AIDS and Sexually Transmitted Diseases (STD) programs; 4) Immunization, which prevents the occurrence and transmission of vaccine-preventable diseases such as measles, mumps, and rubella; and 5) Sexual Assault Services, which supports rape crisis intervention programs. This bureau also administers the Preventive Health Block Grant.

Funding

This program is funded with general fund and federal revenues. Table 21 shows each of the components of the Preventive Health Bureau and related funding. Preventive health block grant funds presently have no monetary matching requirements, but supplanting of current state funding is not allowed. Also, an amount specified in the grant must be used for rape crisis activities and education about preventing rape. Maternal and child health block grant funds require a $3 match of state or local funds for each $4 spent from the grant.

Table 21
Preventive Health Bureau Funding

Program/Funding Source	FY 96	FY 97
PRESENT LAW		
Chronic Disease		
Federal Preventive Health Block Grant	$217,121	$217,391
Federal Maternal & Child Health Block Grant	32,000	32,000
Federal Chronic Disease Grant	35,000	35,000
Communicable Disease		
General Fund	$110,000	$112,000
Federal Preventive Health Block Grant	57,623	60,161
Federal Tuberculosis Grant	130,000	130,000
Federal Ryan White Grant	150,000	155,000
Federal Seroprevalence/Surveillance Grant	160,000	171,000
Federal Vaccine	854,641	890,246
Federal STD	240,000	240,000
Federal Aids	650,000	650,000
Sexual Assault		
Federal Preventive Health Block Grant	$24,000	$24,000
Bureau Administration		
Federal Preventive Health Block Grant	$139,395	$116,846
Total Present Law	$2,799,780	$2,833,644
NEW PROPOSALS		
General Fund	$50,000	
Federal Funds	1,785,879	1,879,700
Total New Proposals	$1,835,879	$1,879,700
Total Funding	$4,635,659	$4,713,344

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$155,838	$160,218
2 Inflation/Deflation	31,714	49,006
3 Fixed Costs	16,822	17,831
Other Present Law Adjustments		
4 HIV Lab Testing and Evaluation	$24,305	$26,905
5 Contracts with Counties	509,641	529,641
6 Eliminate Rabies Vaccine	(17,080)	(17,080)
7 Indirect Costs	115,898	116,803
8 Other	10,182	(2,140)
Total Present Law Adjustments	$847,320	$881,184

Present Law Adjustments

1) Personal Services - The increase in personal services is primarily due to vacancy savings experienced in fiscal 1994. Salary increases included in the 1995 biennium pay plan add over $10,000. FTE are reduced due to a transfer to the Health Services Division.

4) HIV Lab Testing & Evaluation - This adjustment decreases expenses for evaluation of HIV prevention measures and increases expenses for HIV laboratory testing services. The net result is an increase of $24,305 in fiscal 1996 and $26,905 in fiscal 1997. The legislature accepted the executive levels.

5) Contracts With Counties - This adjustment increases expenditures by $509,641 in fiscal 1996 and $529,641 in fiscal 1997 for contracts with counties. The increases are to pass on federal funds for immunization and HIV counseling and testing.

6) Eliminate Rabies Vaccine - The legislature accepted this executive proposal to eliminate $17,080 in operating expenses each year in the rabies vaccine program. This program operated by maintaining a stock of rabies vaccine to ship to physicians when needed. Because the vaccine supplier will no longer allow the department to maintain a stock, it has become more efficient for the physicians to receive the needed drugs directly from the supplier.

7) Indirect Costs - The executive proposed indirect cost increases of $115,898 in fiscal 1996 and $116,803 in fiscal 1997 were accepted by the legislature.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Public Health Nutritionist	1.00	$0	$42,425	1.00	$0	$42,575
2 Communicable Disease Emergency	0.00	50,000	50,000	0.00	0	0
3 Diabetes Control	2.00	0	201,474	2.00	0	220,245
4 Personal Services Reductions	0.00	0	(46,970)	0.00	0	(47,336)
5 State Immunization Info System	1.00	0	1,000,000	1.00	0	1,000,000
6 Breast & Cervical Cancer	2.00	0	288,950	2.00	0	314,216
7 Expand Tobacco Control	0.00	0	300,000	0.00	0	350,000
Totals	6.00	$50,000	$1,835,879	6.00	$0	$1,879,700

New Proposals

1) Public Health Nutritionist - The legislature approved the addition of a 1.0 FTE public health nutritionist and expenditures of $42,425 in fiscal 1996 and $42,575 in fiscal 1997 to provide outreach and education about the importance of a healthy diet. This new proposal is funded with preventive health block grant funds. The amounts approved are lower than requested by the executive because the legislature removed operating expenses of $16,769 in fiscal 1996 and $18,624 in fiscal 1997 budgeted elsewhere.

2) Communicable Disease Emergency Fund - The legislature added $50,000 of general fund to be available for response to unanticipated outbreaks of communicable diseases. The legislature approved this new proposal as a restricted biennial appropriation. The executive proposed an appropriation of $50,000 each year.

3) Diabetes Control - The legislature accepted the executive proposal for 2.0 FTE and related expenditures of $201,474 in fiscal 1996 and $220,245 in fiscal 1997 for measuring and monitoring the burden of diabetes, and implementing techniques to reduce the costs of diabetes. This new proposal is funded by a diabetes control grant from the federal Centers for Disease Control.

4) Personal Services Reductions - The amount of the executive proposed vacancy savings of $46,970 in fiscal 1996 and $47,336 in fiscal 1997 were accepted instead as reductions in operating expenses.

5) State Immunization Information System - The executive proposed 1.0 FTE and $1.0 million each year for development of a statewide computerized immunization tracking system to centrally maintain immunization information about all Montana children was approved with the caveat that the funds not be used for a central statewide data base. The funds were approved for immunization action plans in local county health departments, making vaccine available in certain physician's offices, hepatitis B prevention, and improving the availability of immunization information at the local level. This new proposal is funded with a federal immunization grant first authorized by budget amendment in fiscal 1995.

6) Breast & Cervical Cancer - The legislature accepted the dollar amounts contained in this executive proposal but specified that only 2.0 FTE be added rather than the 3.0 FTE requested. Authorized expenditures are $288,950 in fiscal 1996 and $314,216 in fiscal 1997 for continuation of a breast and cervical cancer prevention program first authorized by budget amendment in fiscal 1995. A federal grant funds this new proposal.

7) Expand Tobacco Control - The legislature accepted the dollar amounts of this executive proposal, with no additional FTE. This new proposal will use $300,000 in fiscal 1996 and $350,000 in fiscal 1997 for outreach and prevention activities aimed at reducing the use of tobacco, first authorized by budget amendment in fiscal 1995. This new proposal is funded by a federal tobacco control grant.

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PUBLIC HEALTH & HUMAN SERVICES **HEALTH FACILITIES DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Leg. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Leg. Budget Fiscal 1997	Total Leg. Budget Fiscal 96-97
FTE	51.00	0.00	(2.00)	49.00	0.00	(2.00)	49.00	49.00
Personal Services	1,625,157	184,523	(90,484)	1,719,196	195,619	(91,039)	1,729,737	3,448,933
Operating Expenses	482,700	324,044	0	806,744	330,738	0	813,438	1,620,182
Equipment	34,930	(4,930)	0	30,000	(4,930)	0	30,000	60,000
Total Costs	$2,142,787	$503,637	($90,484)	$2,555,940	$521,427	($91,039)	$2,573,175	$5,129,115
Fund Sources								
General Fund	443,980	238,476	0	682,456	243,815	0	687,795	1,370,251
Federal Special	1,698,807	265,161	(90,484)	1,873,484	277,612	(91,039)	1,885,380	3,758,864
Total Funds	$2,142,787	$503,637	($90,484)	$2,555,940	$521,427	($91,039)	$2,573,175	$5,129,115

Program Description

The Health Facilities Division issues licenses, grants medicaid certification, recommends medicare certification, and approves renovation and new construction projects for all health care facilities. The division is responsible for legal enforcement duties concerning state and federal laws governing health care facilities. The Health Facilities Division consists of two bureaus: 1) the Certification Bureau; and 2) the Licensure Bureau.

Funding

This program is funded with general fund and federal revenues. Table 22 shows each of the components of the Health Facilities Division and related funding. Medicaid requires a 25 percent match. Federal Nurse Aide funds require a 50 percent match that is provided by general fund in the Medicaid Services program.

Table 22
Health Facilities Division Funding

Program/Funding Source	FY 96	FY 97
PRESENT LAW		
Licensing		
General Fund	$484,021	$487,937
Medicare/Medicaid Certification		
General Fund	$198,435	$199,858
Federal Medicaid	595,303	599,573
Federal Medicare	1,085,219	1,092,510
Clinical Labs		
Federal CLIA Funds	$201,129	$201,699
Nurse Aide		
Federal Nurse Aide Funds	$82,317	$82,637
Total Present Law	$2,646,424	$2,664,214
NEW PROPOSALS		
Federal Funds	($90,484)	($91,039)
Total Funding	$2,555,940	$2,573,175

Present Law Adjustments

1) Personal Services - Fiscal 1994 vacancy savings of over 10 percent is the primary reason for the increase in this program. Pay plan salary increases total over $21,000.

4) Licensure - Operations - The legislature accepted the executive proposal to increase operating expenses by $77,484 in fiscal 1996 and $78,672 in fiscal 1997 to address licensure problems noted in a recent performance audit. This adjustment is supported by general fund.

5) Licensure - Inspections - The executive proposal to add $10,000 in general fund each year for consultants to perform state licensure inspections and facility surveys was approved. A recent legislative performance audit noted several areas, including inspections and facility surveys, where the licensure bureau was not meeting its statutory duties.

6) Indirect Costs - The executive proposal for indirect cost increases was accepted.

Present Law Adjustments

Description	Adjustments Fiscal 1996	Adjustments Fiscal 1997
Statewide Present Law Adjustments		
1 Personal Services	$184,523	$195,619
2 Inflation/Deflation	9,101	10,995
3 Fixed Costs	10,080	11,172
Other Present Law Adjustments		
4 Licensure - Operations	$77,484	$78,672
5 Licensure - Inspections	10,000	10,000
6 Indirect Costs	217,955	220,175
7 Equipment	(4,930)	(4,930)
8 Other	(576)	(276)
Total Present Law Adjustments	$503,637	$521,427

7) Equipment - Replacement equipment of $30,000 annually represents a $4,930 annual present law decrease. Equipment purchases include computers, computer monitors, and miscellaneous office equipment.

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New Proposals

	Fiscal 1996			Fiscal 1997		
New Proposal	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(2.00)		($90,484)	(2.00)		($91,039)
Totals	(2.00)		($90,484)	(2.00)		($91,039)

New Proposals

1) Personal Services Reductions - This executive new proposal eliminates 2.0 FTE and related personal services expenses of $62,634 in fiscal 1996 and $62,854 in fiscal 1997. Vacancy savings of $27,850 in fiscal 1996 and $28,185 in fiscal 1997 are also reflected. The savings are reflected totally in federal funds.

Reorganization

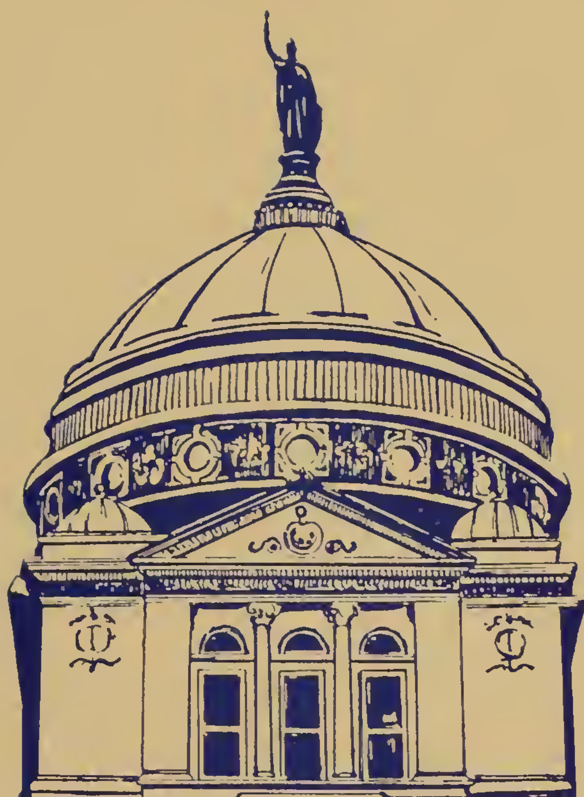
The Department of Social and Rehabilitation Services (SRS) was eliminated by SB 345, which reorganized human services and public health agencies. All SRS functions were transferred to the new department of Public Health and Human Services. A description of these agencies and of the former SRS functions that were transferred is included the Department of Public Health and Human Services narrative in section B, volume I.

Reorganization

The Department of Family Services (DFS) was eliminated by SB 345, which reorganized human services and public health agencies. Child and adult protective services, services for the elderly, and nearly all centralized services functions formerly administered by DFS were transferred to the new Department of Public Health and Human Services. Juvenile corrections functions including youth correctional institutions, community based services, and aftercare services were transferred to the Department of Corrections. A description of these agencies and of the former DFS functions that were transferred is included the Department of Public Health and Human Services narrative in section B, volume I, and the Department of Corrections narrative in section D, volume II.

Reorganization

The Department of Health and Environmental Sciences (DHES) was eliminated by the passage of SB 234, which reorganized natural resource and environmental agencies and by SB 345, which reorganized human services and public health agencies. Public Health programs formerly administered by DHES were transferred to the new Department of Public Health and Human Services. Environmental programs formerly administered by DHES were transferred to the new Department of Environmental Quality. The director's office and central services were split between the two new agencies. Descriptions of these new agencies and of the former DHES functions that were transferred are included in the Department of Public Health and Human Services narrative in section B, volume I, and the Department of Environmental Quality narrative in section C, volume II.



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